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War Expenditures, Special Committee
1940/41
SESSION 1940-41

HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

WEDNESDAY, MARCH 12, 1941

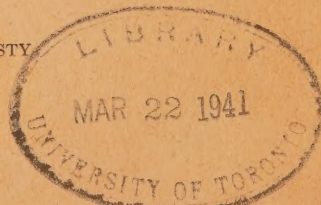
THURSDAY, MARCH 13, 1941

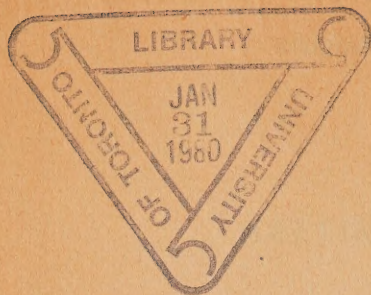
TUESDAY, MARCH 18, 1941

WITNESS:

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941





MEMBERS OF THE COMMITTEE

MR. J. T. THORSON, *Chairman*

and

Messieurs:

Abbott
Bercovitch
Black (*Cumberland*)
Bradette
Chevrier
Cleaver
Diefenbaker
Fournier (*Hull*)
Gladstone
Golding
Graham
Gray

Green
Harris (*Danforth*)
Macdonald (*Halifax*)
MacInnis
Marshall
Mayhew
McGeer
Picard
Pottier
Ross (*Moose Jaw*)
Sissons

R. ARSENAULT,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, March 5, 1941.

Resolved,—That a select committee be appointed to examine the expenditure defrayed out of moneys provided by parliament for the defence services, and for other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, and that notwithstanding Standing Order 65 the committee shall consist of twenty-four members as follows: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson, with power to send for persons, papers and records; to examine witnesses and to report from time to time to the House.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

FRIDAY, March 14, 1941.

Ordered,—That the said committee be empowered to appoint subcommittees and to refer to such subcommittees as it may appoint from time to time any of the matters referred to the committee, and that any subcommittee so appointed have power to send for persons, papers and records and to examine witnesses; to sit while the House is sitting; and to report from time to time to the committee.

Ordered,—That the said committee be given permission to sit while the House is sitting.

Ordered,—That eight members of the said committee constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.

Ordered,—That the said committee have power to fix the quorum of the subcommittees it may deem expedient to appoint from time to time.

Ordered,—That the said committee be empowered to print, as it may determine from time to time, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, March 13, 1941.

The Special Committee on War Expenditures begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to appoint subcommittees and to refer to such subcommittees as it may appoint from time to time any of the matters referred to the Committee, and that any subcommittee so appointed have power to send for persons, papers and records and to examine witnesses; to sit while the House is sitting; and to report from time to time to the Committee.
2. That it be given permission to sit while the House is sitting.
3. That 8 members of the Committee constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.
4. That the Committee have power to fix the quorum of the subcommittees it may deem expedient to appoint from time to time.
5. That the Committee be empowered to print, as it may determine from time to time, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

Your Committee realizing the desirability of securing the utmost co-operation from all members of the House, has authorized its Chairman to address a letter to each member of the House requesting suggestions as to any subject matter that might usefully be enquired into by the Committee.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

MINUTES OF PROCEEDINGS

March 12, 1941.

The Special Committee on War Expenditures appointed by Order of Reference dated March 5, 1941, met at 11.00 a.m.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.—23.

On motion of Mr. Abbott, seconded by Mr. Cleaver, Mr. Thorson was selected as chairman of the committee.

Mr. Thorson took the chair and thanked the committee for the honour conferred upon him. He expressed the hope that his task would be facilitated by the co-operation of all members of the committee.

The Clerk read the Order of Reference.

On motion of Mr. Chevrier, seconded by Mr. Fournier, Mr. Bradette was appointed vice-chairman of the committee.

The Chairman suggested that a letter be addressed to each member of Parliament inviting suggestions as to the subject matters that might be inquired into by the committee. On motion of Mr. Golding this was agreed to.

The Chairman then gave a brief outline of the work performed by subcommittees appointed by the Committee on National Expenditure in Great Britain and suggested that the same procedure be followed here.

In the course of the discussion that followed several members suggested that before asking for power to appoint subcommittees to which might be delegated matters within the authority vested in the main committee, a subcommittee on procedure be appointed to map out a general plan of enquiry and that the main committee proceed to the hearing of evidence from officials of the departments concerned. It was suggested, on the other hand, that authority to appoint such subcommittees be requested in the committee's first report to the house.

On motion of Mr. Macdonald,

Resolved,—That the committee request power to appoint subcommittees and to refer to such subcommittees as it may appoint from time to time any of the matters referred to the committee, and that any subcommittee so appointed have power to send for persons, papers and records and to examine witnesses; to sit while the house is sitting; and to report from time to time to the committee.

It was agreed that the chairman and vice-chairman submit to the committee for approval the list and personnel of subcommittees to be appointed under the terms of the foregoing resolution.

On motion of Mr. Bercovitch,

Resolved,—That the committee request permission to sit while the house is sitting.

Mr. Green moved that the committee request power to reduce its quorum to 10 members and to fix the quorum of the subcommittees it may deem expedient to appoint from time to time.

Mr. Bradette moved in amendment thereto that authority be requested to reduce the quorum of the committee to 8 members.

Amendment carried on division and Mr. Green's motion adopted as amended.

Mr. Diefenbaker suggested that the committee decide immediately, before presenting its first report, as to whether the meetings of the committee should be public or held in camera. He expressed the opinion that certain evidence which could be of no benefit to the enemy should be heard in open meetings.

Mr. Cleaver suggested that the committee ask authority to print such evidence and records as it may decide to print from time to time. Discussion followed.

Mr. Harris moved that the usual request for power to print be embodied in the committee's first report to the house. It was finally agreed, without Mr. Harris' motion being put, that the committee's first report to the house, embodying the recommendations adopted this day, be submitted to the committee for approval at its next meeting.

On motion of Mr. Graham, the committee adjourned at 1.00 o'clock until to-morrow, Thursday, March 13, at 10.30 a.m., for consideration of its first report.

THURSDAY, March 13, 1941.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons.

In accordance with the procedure suggested at the previous sitting, the chairman submitted a draft of the committee's first report to the house.

Consideration of the draft report followed.

Mr. Cleaver moved that the committee request permission to print, as the committee may determine from time to time, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence.

Motion carried on division.

Mr. MacInnis moved that the foregoing resolution be incorporated in the committee's first report to the house.

Motion carried on division and the draft report adopted on division, as amended.

Ordered that the chairman present the said amended report to the house.

The chairman having suggested the adoption of a short title for the committee, it was agreed to call it "The Special Committee on War Expenditures".

The committee adjourned until Tuesday, March 18, at 11.00 a.m.

TUESDAY, March 18, 1941.

The Special Committee on War Expenditures met at 12 o'clock noon, the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Bradette, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Picard, Ross (*Moose Jaw*), Sissons.

The chairman read into the record a letter sent to each member of the House of Commons in accordance with a resolution adopted by the committee at its first sitting.

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, was called. He gave a statement on some of the functions of the department and was examined thereon.

At 1 o'clock the committee adjourned until to-morrow, Wednesday, March 19, at 4 o'clock p.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

MARCH 18, 1941.

The Special Committee on War Expenditures met this day at 12 o'clock noon. The Chairman, J. F. Thorson, presided.

The CHAIRMAN: I will ask the committee to come to order. I should perhaps report that, in accordance with the authority given to me, I have sent a letter to the members of the Houses of Commons reading as follows:—

The Special Committee on War Expenditures recently appointed by the house has authorized me to address a letter to each member, requesting suggestions as to any subject matter that might usefully be inquired into by the committee.

The committee was appointed "to examine the expenditure defrayed out of moneys provided by parliament for the defence services, and for other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein." At the first session of the committee I stated our aim as follows: "A dollar's worth of war effort for every dollar contributed by Canadians." It is our opinion, that if this objective is to be attained, we must secure the utmost co-operation from all members of the house.

If, therefore, there is any matter which, in your opinion, should be enquired into by the committee, it would be gratefully appreciated by us if you would be good enough to bring such matter to our attention at as early a date as possible, either by letter or in person.

May I assure you that the committee will welcome any suggestion that you may wish to make, and will deeply appreciate any assistance that you may be able to give to us in our effort to perform as effectively as possible the important national duty which has been assigned to us.

This letter has been sent or will be sent to every member of the house, except the members of the government and the members of the committee. Its equivalent in French has been sent to all the members of the house of French origin. Most of the letters have gone out. There are still a few to go out.

Mr. HARRIS (*Danforth*): Have you spare copies for the committee, Mr. Chairman?

The CHAIRMAN: I would suggest, perhaps, that the letter go in the record.

It was suggested that we should have a general review of how the Department of Munitions and Supply functions from the time it receives its requisition from one of the fighting services until that requisition is supplied, which would include a general statement of the various types of contracts which are issued by the department and the bases upon which such contracts are made, the various checks and controls in the way of cost accounting and the like, the manner in which the purchasing organization is set up and functions, and in general an exploration of the existing checks, controls, care and supervision in the matter of munitions and supplies. We have with us to-day the Deputy Minister of Munitions and Supply, Mr. G. K. Sheils. Is it your wish that we should hear him now? Then I will call on Mr. Sheils.

Mr. G. K. SHEILS, Deputy Minister, Munitions and Supply Department, called.

The WITNESS: I would suggest, Mr. Chairman, that it might assist the members to follow my explanation if we distributed copies of the organization chart, if that meets with your approval.

The CHAIRMAN: Very well.

Mr. HARRIS (*Danforth*): This is the same chart as the one which is on the record, is it not? There is no change?

The WITNESS: No. It is the same chart as is on Hansard.

I might commence, Mr. Chairman and gentlemen, by giving as brief as possible a statement as to the primary functions of the department. Section 7 of the Munitions and Supply Act gives the Minister of Munition and Supply exclusive authorization to purchase munitions of war and supplies and to construct or carry out defence projects required by the Department of National Defence, with certain exceptions having to do largely with defence projects constructed in Canada by persons in the employ of His Majesty, or supplies or defence projects which the Department of National Defence may, at the request of the Minister of Munitions and Supply, for reasons of practicability or otherwise, purchase or carry out direct. That has reference largely to isolated posts of the army, navy or air force where it would be very inconvenient and would slow up the work for this department to have to purchase.

Section 5 of the said Act covers the other primary function of the department. The department is charged with the responsibility of examining into, organizing, mobilizing and conserving the resources of Canada contributory to, and the sources of supply of, munitions of war and supplies and the agencies and facilities available for the supply of the same, and for the construction and carrying out of defence projects, and is required to provide for the fulfilment of the present and prospective needs of the government in respect thereto. This places a responsibility on the department to provide facilities for the manufacture of munitions of war and supplies where inadequate facilities exist or where there are no facilities. This function has resulted in the establishment of certain government owned companies to which I will refer; also to the construction, equipping and operating of plants in Canada which either increase existing facilities or provide absolutely new facilities where none existed.

Another method of carrying out the responsibility laid upon the department under Section 5 has been the appointment of controllers. I will refer to those later. They operate in connection with our responsibility of mobilizing, conserving and co-ordinating all economic and industrial facilities.

Both of the functions above mentioned, namely, the purchasing and the function of securing an adequate supply, are exercised by the department for His Majesty's government in the United Kingdom, for other parts of the British Commonwealth of Nations and for any allied or associated countries upon the approval of the Governor in Council. The Governor in Council has authorized the department to act for certain of our allies, such as Greece, and at the outset of the war for France, for Norway, and some others.

The department carries out the functions which I have mentioned through a staff of 1,373 people directly employed by the department, of which 1,272 are at headquarters in Ottawa and 101 are distributed across Canada in numerous cities and also staff offices in London, England, New York and Washington. I will refer to those later. Appointments and control of the staff of the department are carried out under civil service regulations just the same as any other department of government, working under order in council of April 19, 1940, P.C./1569. All new positions are set up by treasury board approval and the civil service commission just the same as any other department. In the case of persons who join the staff of the department without salary, their appointments

[Mr. G. K. Sheils.]

are authorized by order in council; whether or not they are to receive any living allowance, expenses or anything else, the order in council is put through in every case to regularize their appointments. Ordinary civil service rules regarding attendance, hours of work and all other matters apply in the department. But I must say that at the outset the regulations regarding hours of work were probably more honoured in the breach than in the observance. Our staff did work very long hours for many months. It was not a matter of our desire to have them do that, because we realized that in the long run that affects efficiency; but we just could not get the staff quickly enough to handle the rush of work which was placed upon us. Our staff came back voluntarily at nights and on Sundays and turned in a terrific amount of overtime without complaint and without any apparent waning of enthusiasm or loss of efficiency.

At the moment we are running three formal night staffs in three sections of the department. That is also to cope with the rush of work and partly because of the lack of office accommodation. We have a night staff in the overseas accounting section. I will refer to this in more detail later. These people handle the accounting for all our United Kingdom purchases. We have a night staff in the order writing section of the purchasing branch; that is also to utilize to the full the expensive electric order writing machines. Rather than add new machines, we have put on a night staff to operate the machines we have to the fullest capacity. We have a night staff in the tender opening section where all in-coming tenders are opened and listed. I will refer to this in greater detail later. The legal branch also have a sort of informal night staff. It is not very informal from the point of view of the lawyers who are delegated to come back, but it is informal in that there is no regulation in the department with regard to it. The head of the legal staff, however, delegates a number of lawyers to be at their desks every night in the week so that any of us who are back working can always call a lawyer for consultation if we run into some problem that worries us.

Our staff is largely "temporary." There are 47 permanent civil servants on loan from other government departments and 6 permanent civil servants on the staff of the minister's office. That is 53 out of a total of 1,373. Our temporary civil servants are subject to the same deduction of 5 per cent as arranged for all the other branches of the government by recent order in council.

Of the total staff of 1,373, 1,212 have been taken on strength through the civil service commission and 161 by means of the order in council system. Fifty-two of the 161 are officers serving without remuneration. I do not think that the members would be interested in the detail of where these people are distributed across the country. However, if any one desires I will be glad to give the figures either privately or in the committee meeting. I have the schedules here, but they are somewhat lengthy and I do not think, sir, you would desire me to take up the time of the committee by reading them.

In addition to the employees directly employed by the department we have, as a means of decentralization and expediting the work, set up a number of wholly government-owned companies. These have been mentioned by the Minister on various occasions in the house. These government-owned companies employ a staff of 1,416, at the moment. Of those 525 are office and technical people, and 891 are actual production workers.

Those of the government-owned companies, which will be producing companies, such as Research Enterprises, Limited, producing optical glass and technical instruments, and Small Arms Limited, producing rifles, etc., are obviously just getting into production, and their production workers at the present time do not represent anything like the final figure.

In the case of Research Enterprises Limited, now employing 342 production workers, it is estimated that by the summer of this year the number will be 1,500. In the case of the rifle factory it is estimated that there will be approximately 3,000 employees by this fall.

In addition to those figures there are of course the staffs of the arsenals which have been working under the Department of Munitions and Supply since October 1, 1940. At that time, by order in council, they were transferred from the Department of National Defence to the Department of Munitions and Supply, largely because we, in our purchasing function, were purchasing from private contractors exactly the same types of small arms ammunition and shells as the arsenals were producing, and it was felt advisable to have all the procurement of such small arms ammunition and shells under one head.

The staff of the arsenals at Quebec at present numbers 3,360; at Lindsay, 650. It is estimated that by this fall these figures will be increased to approximately 9,000 at Quebec—8,700 is the exact figure at Quebec—and 1,000 at Lindsay. That, of course, is due to the great expansion which we have been asked to make in the production of ammunition, largely small arms ammunition, and which has been mentioned in the house on a number of occasions.

I think the next point I should touch upon is the point at which the wheels of the department start to move, namely, when we receive requisitions. I might say, as a background to that, that we are buying for the three services in Canada, the three services in the United Kingdom and, within recent months, also for the Department of Agriculture in the United Kingdom. The requirements of the United Kingdom for agricultural implements are being sent through the Ministry of Agriculture in England direct to this department and placed by us. We are also buying for most of the other units of the British Commonwealth of Nations and for a number of the allied countries.

To assist us in handling those orders we have a liaison office in London which deals direct with the ministries concerned in that country, a liaison office in New York situated in the same building as the British Purchasing Commission, and a liaison office in Washington where matters dealing with the procurement of ordnance, ammunition, etc., from the various United States ordnance stores is cleared by our liaison officer with the heads of the armed forces of the United States and with the proper government departments. This liaison office has been extremely busy of late because of the very sensitive situation on priorities in the United States.

The duties of these offices are to keep before the purchasing officers in the United Kingdom and in the British Purchasing Commission in New York the productive capacity of Canada with respect to any items which are required by those purchasing officers, and to assist this department in any purchasing which we may have to do in the United States or in Great Britain.

As the figures given by the minister in the house show, the percentage of purchasing done by this department outside of Canada is small. For its size it is more troublesome than half of the purchasing we do in Canada because of the question of priorities and delays in shipment.

The liaison offices, particularly the one in London, are also extremely useful in procuring drawings, specifications, samples, etc., of articles of equipment, ordnance, and so on, which are being made for the first time in Canada and for which we must have very detailed specifications.

Before dealing with the exact details of requisitions, it might be well to mention one or two rather general misconceptions of the powers and duties of the department. In the first place, the Department of Munitions and Supply is not an originating body. We do not decide what we will buy. That is decided for us by the Department of National Defence, the ministries in the United Kingdom, the other commonwealths or our allies. We buy what we are requested to buy, subject to some remarks I will have to make a little later. But it must be borne in mind that we are not an originating body.

Secondly, we do not inspect or receive these supplies and munitions which we purchase nor do we approve the suppliers' invoices for the same. These duties are carried out by those who are going to use or consume the items purchased. The logic of that will be obvious to everyone.

[Mr. G. K. Sheils.]

The United Kingdom and Canada have now set up in Canada what is known as the Inspection Board of the United Kingdom and Canada. This is a joint board carrying out all the inspection for the United Kingdom and Canada. It is headed by Major General Lock of the British Imperial army, who has had long experience in this work.

The third item is this, and I do wish that people would understand it—I do not mean the hon. members present; I mean the suppliers—that the Department of Munitions and Supply does not pay for its purchases. This function is carried out by treasury officers attached to the Department of National Defence for whom we buy, or by Canadian treasury officers operating under a special arrangement with the United Kingdom in respect of our purchases for the United Kingdom. We simply place the orders. We assist in following them up. We have a follow-up system to see that deliveries are made, and the invoices, when they come in, are passed over to the Department of National Defence for verification by their inspection department and recommendation for payment. By virtue of the special agreement with the United Kingdom this department has a far closer relationship with the payment of United Kingdom accounts than it has with Canadian accounts. That is due to the fact that about a year ago the United Kingdom asked the government of Canada if they would permit the Department of Munitions and Supply to take over all their accounting for purchases and to handle the approval and payment of invoices, not the actual payment but the final approval or certifying of the invoices. We do not do that for Canada.

Now as regards the actual purchasing routine. The wheels of the department start to move on the arrival of what is known as a contract demand or requisition from the Department of National Defence. I shall deal first with the purchasing of Canadian requirements and then with those of the United Kingdom, if I may. There are a number of different types of contract demands—I have them all here—but they have these general features, that they show in detail the requirements, they quote contract demand numbers, financial encumbrance numbers, price and so forth. They show the expected delivery date, the quantities, and they quote a figure of the estimated cost. In some cases the Department of National Defence consult with us before that figure of estimated cost can be completed. This is the usual form. They show the signature of the originating officer, the signature of various of his superiors through whom the requisition has to pass, the signature of the representative of the treasury in the Department of National Defence to certify that funds are available for the completion of the purchase, and then they are signed finally by one of three officers.

If the contract demand is for less than \$5,000, the minister, the deputy minister or acting deputy or an officer authorized by the minister or the deputy minister may sign. If the amount is between \$5,000 and \$50,000, only the signature of the minister or the deputy minister will be recognized by us. If the amount is over \$50,000 the minister's signature is required.

These contract demands are carefully scrutinized by what we term our purchase investigation section, immediately they arrive at the department, to see that all the signatures of the financial officers and everyone else concerned are in order. These contract demands come over to us covered by a list. These are important pieces of paper; so the Department of National Defence lists them and we must sign for them. If one of them should turn out to be incorrectly authorized we list it and send it back and require the signature of the Department of National Defence for it. We keep them under close control.

The number of those contract demands which come over to us—and I would emphasize that this deals only with the Department of National Defence for Canada—run on an average about 375 a week.

Our officers are instructed—regardless of what I said a few moments ago to the effect that we do not decide what is to be purchased—that they must nevertheless look at all these requisitions or contract demands with a critical eye

to see if in their opinion they are in any way extravagant as regards quality or quantity being requisitioned, or any other feature. They refer back to the originating officer in the Department of National Defence, sometimes direct to that officer, sometimes through the deputy minister, any contract demands which appear to them to be in any category of extravagance.

By Mr. Harris (Danforth):

Q. Mr. Chairman, may I ask what branch of the service is referred to?—
A. The various purchasing branches to which these requisitions may go. That purchasing branch of our department is considered to be the most competent to judge whether there is any extravagance; that is, the most competent within our organization. We do not usually write letters about it, we go over and talk to the officers concerned wherever possible.

In many cases, not a large number of cases in proportion to the total number of requisitions received, but in a substantial volume of cases in all, some changes have resulted from that contact. I have here a number of memoranda of changes which have arisen due to those discussions. I do not say that these constitute any reflection on the officers of the Department of National Defence who have originated these contract demands. Our experience is that we are sometimes able to suggest changed specifications which will do just as well. Because of our closer contact with the supplier and with industry we are possibly in a good position to make those suggestions. I must emphasize, however, that if, after these consultations with officers of national defence, our department is told that nothing but the original requirement will do, we must take their word for it. We do not feel that we are in as good a position as officers of the services to know what is final.

We have certain systems set up for the amendment, cancellation or revision of any of the contract demands, so that any such changes are as fully documented as the original requisition. I do not think it would be of interest to the members to go into that in detail, but the forms are here if anyone wishes to see them.

All these requisitions before going into the purchasing branches,—all these contracts, demands or requisitions—I use the two terms synonymously—are put under a master control which keeps a record of the fact that these requisitions, giving their numbers, etc., have entered the department and have gone into a certain purchasing branch. This master control ensures that no requisition will be lost, which, if that occurred would result in no order or purchase being produced. Each of the individual purchasing branches have a specific internal control on the same requisition; the purpose of it being to see that the requisition does not become unduly delayed in its progress through the purchasing branch. Some delays are inevitable, particularly in the procurement of extremely technical requirements, but the requisition is always under control, it can always be looked up to see at what stage it then is and if some officer is falling down on the job the responsibility can be placed where it belongs.

The contract demand has now reached the purchasing branch where action is to be taken on it. The first point to be considered is whether or not the supply situation with respect to that article is such that it is practicable to call for tenders. We do like to operate on an open tender basis wherever possible. We like to get competitive bids by means of tenders. The question as to whether or not it is practicable to call for tenders may be well known from past experience in the department in purchasing similar articles or before we can make that decision we may have to refer to trade index books, of which we have several, or to our plant survey division where are available records of 2628 surveys made on Canadian plants. We also have available surveys made by the Canadian Manufacturers' Association and at the moment the Canadian Manufacturers' Association and the Canadian Chamber of Commerce are co-operating in a

[Mr. G. K. Sheils.]

further and quite detailed survey of Canadian productive capacity. These, of course, are available to us and are used extensively in the making of any decision in this regard.

We also call upon our controllers for advice. For instance, the machine tools controller can tell us very readily whether there is any use calling for tenders on a certain type of lathe or borer which we may need to buy for the Department of National Defence. He might tell us that he has the productive capacity of Canada for that particular machine so tied up that it is absolutely a waste of time and money to call for tenders and that we should go to a certain contractor whom he will indicate and should pay a price which he has fixed for that machine. Similarly our timber controller advises on the question of purchases of lumber and articles made of wood. At one time last August, and during part of September and October when we were in that very extensive scheme of building hutments for the Canadian army, the timber controller actually purchased timber and lumber for these hutments. That was done as an emergency and to get the lumber on the ground quickly. The department, of course, confirmed the orders afterward. But the usual procedure is not for the controllers to purchase; they are to advise and the department then purchases; but they are used extensively in connection with consultations when we are undecided whether we should call for tenders or not.

Let us assume that it has been decided to call for tenders—I will cover a number of cases later where we decided not to call for tenders—I should like to deal with this one first where we do call for tenders because that is the basic principle under which we operate.

Each purchasing division—I am speaking now of a division of a branch—we use the regular governmental set-up of a department; a branch operating within the department; and then a section or a division operating within the branches—so that I am speaking now of a purchasing division which is a part of a purchasing branch. Each purchasing division from which invitations to tender go out is supplied with a number of tender envelopes, which show clearly on the outside that they contain tenders, and also with a large number of what we call "tender stickers." This is a blue sticker which has to be put on the outside of each envelope or parcel. If the sending in of the tender involves a large number of blue-prints which would not go into an ordinary envelope; that is the way it is done. At first we considered having a large number of different sizes of envelopes, but we cancelled that and now each contractor supplies his own envelope and puts a tender sticker on it if the material is such that it cannot go into a regular sized envelope. If it cannot go in an envelope at all then it is made up into a parcel, and again the sticker serves the purpose of identifying the incoming parcel as a tender.

Immediately the incoming tenders reach the department they are placed under the control of the secretary of the department. The secretary causes these tenders to be stamped with the hour and date of receipt by his department and to be placed unopened in locked metal boxes. These boxes bear the calendar date next to come corresponding to that day of the week. Tenders are sorted into these boxes in accordance with the closing dates. There are five of these boxes, one for each day, Monday to Friday, and a sixth box into which we place any tenders which reach the department more than one week before the closing date because there would not be any dated boxes for these. The closing hour for all tenders is set at 5 p.m., eastern standard time—no tenders are called to close on a Saturday.

If any tenders reach the department after the closing hour and date the instructions are they are to be returned unopened accompanied by an explanatory letter from the secretary's office. There is a form letter for that. If it should be necessary to open the envelope in order to ascertain the name and address of the sender—which happens in some cases—the accompanying letter makes it clear that this is the only reason the letter has been opened.

If it is necessary to open late tenders in order to extract drawings which are valuable and which are to be used again, that is also stated in the accompanying letter. I might say that the head of the purchasing division sending out tenders is responsible for notifying the secretary's office that a certain tender, mentioning the number, has such drawings in it, and all such late tenders related to that tender number must be opened and the drawings extracted.

Dealing now with the tenders which have arrived on time and have gone into these boxes. Each box has two keys—two locks.

By Mr. Bradette:

Q. How do you know that these drawings are in the envelope and that they may be useful to the department??—A. I do not quite follow your question.

Q. What way have you for finding out that these drawings are in the envelope?—A. The head of the purchasing section who sends out the invitations advises the secretary's office that a tender, identifying it by number, has in it these special drawings, and if a tender should arrive late with that number on it, before being sent back to the sender it would be opened. That is how the secretary knows.

By the Chairman:

Q. In other words you send back to the sender all late tenders?—A. Yes, absolutely. The secretary has in his department two employees who have possession of these two keys and they act as openers of tenders. These, I must emphasize, are not purchasing officers; they know little or nothing about purchasing; they are mainly people of financial training who have been carefully selected by the Civil Service Commission at our request as being men of very high integrity, because this is an important job. Immediately at five o'clock, eastern standard time, of each day, Monday to Friday, these two employees go to the vault where these metal boxes are kept and open the box bearing the date of the day of the week on which they are operating. They open all tenders contained in the box—there may be forty or fifty tenders closing on the same date and they may have up to thirty or forty replies to each one. Some of them run down as low as three or four and two or three, but in others we have had as high as forty-five to fifty replies to one tender. They open these and sort them by tender number; they then stamp them with the hour and date of the opening, and both of the openers initial this stamp. They then prepare lists in duplicate of all tenders, making a separate list for each tender number. These lists are not tabulations of the tenders; they do not enter into the question of price or anything like that. There is no attempt made to award a contract or decide whose is the best tender; it is merely a listing for purposes which will appear later. These lists are then locked up again with the tenders to which they refer in another metal box. This time there is only one key because we are going to require one of these men who have been there perhaps till midnight opening the tenders and listing them to come in at nine o'clock the next morning and distribute them and we do not want the two of them to have to come in. One man is allowed to come in late in the morning because he has been working till midnight. They alternate in that.

If the tenders are accompanied by deposits of money—as often happens in construction contracts and other large contracts—the tender openers prepare these lists in triplicate and they show clearly the amount of the deposit sent in and the nature of the same, whether it is a certified cheque or a Canada bond or a bond of the Canadian National Railways or whatever it is. If any tenderer fails to send in a deposit or sends in an insufficient deposit or a deposit of another nature other than those listed this fact is clearly set out. The deposits are then detached from the tenders and attached in order of listing to the third

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copy of the list which has been made and are locked up for the night with the other copies and tenders. The deposits are not to proceed to the purchasing branch; they go from there to the financial people; that is why they are detached at this time.

The last operation of each night is to open the sixth box which we have mentioned, which contains the tenders which have arrived more than a week ahead of opening date, and to take from it any tenders which as of the coming morning are properly to be placed in one of the five dated boxes. This is because due to lapse of time we are now within a week of the opening date of another set of tenders and they are thus transferred to their new box.

All copies of these lists, both the duplicate and the triplicate lists, are signed by both of the tender openers.

From time to time it may be necessary for the closing date of a tender to be extended by the purchasing agent who originated it. That is usually due to the fact that the purchasing agent may receive letters from a number of people to whom we have sent invitations to tender saying that they cannot understand the specifications which have been supplied; or, that the matter is so detailed that it will take them three or four days longer to prepare their cost estimate; or, various reasons like that; and if enough of these come in to make it appear that the tender closing date is in fact a little too soon the purchasing agent may extend the time of closing. When such a condition arises everyone who has been invited to tender is told of the extension of the closing date, even though he has already sent in a tender. That gives him extra time to re-figure if he wishes, and it keeps everybody on an even keel.

By Mr. Graham:

Q. I was just wondering about that; and I thought possibly you might clarify it for me. The man who lives nearer the point of origin will get his specifications and call for tender a little sooner, and therefore will have a little longer to work on it than the one who lives farther out?—A. Yes.

Q. On the other hand, the individual living at a distance would have to put his tender in the mail earlier than the one living closer and who, certainly, would have a longer period within which to operate?—A. Yes.

Q. Is there any attempt made by the departments to equalize the two?—A. That is treated in this way—I am very glad you mentioned that: Depending on the nature of the article or equipment covered by the tender, the amount of technical detail, and the location of the people who are being invited to tender, the closing date is set as far ahead as possible to take care of those circumstances. For instance, our trade index list may show that the only possible suppliers of an article are right within a few hundred miles of Ottawa. We could call a tender on an article such as that in a week. If, on the other hand, the suppliers are in the west, in the Maritimes or British Columbia, even allowing for air mail service, we might have to allow several extra days. We attempt to cover that. The purchasing agent is responsible that the closing date is set in such a way that it will be as fair as possible to all concerned.

When it is necessary to extend the closing date the purchasing agent advises the secretary's office and any tenders which have already been received are removed from the box in which they have been placed to the new closing date box. In many cases that means going into this extra box temporarily.

By Mr. Cleaver:

Q. I take it from that that no tenders are opened before the closing date of the tender, no matter when they are received?—A. That is correct.

Then we come to the next step: Not later than nine o'clock on the following morning one of the tender openers of the secretary's office comes in and opens the compartment in which these listed tenders have been locked for the night.

He arranges for the distribution of them to the purchasing agents concerned. As I say, there may be 30 or 40 tenders to be dealt with by 15 or 20 purchasing agents. The tender opener either arranges for the purchasing agent to come to his office or takes the tenders to the purchasing agent. The purchasing agents check the list or lists of their respective tenders with the tender opener and then sign one copy of the list as evidence that they have been thus checked, that they find them accurate, and that they have received the tenders in question. The date and the hour of such signing is shown clearly on these lists. The tender opener has then to return a copy of each such list which the purchasing agent has signed to the secretary's office where they are kept in the secretary's files. The idea behind this is obvious; if we should have a purchasing agent who might be a little lax he has committed himself to the secretary in that he has signed that this list had thirty tenders and this must compare with his tabulation. We believe that in this way we have safeguarded against any such laxity. We do not believe that we have any purchasing agent who would be lax in this regard but nevertheless we have always considered it advisable to maintain this safeguard.

By Mr. Gladstone:

Q. There is no notation of price?—A. No, it is merely a list of tenders.

As soon as the tenders are received in his purchasing division the purchasing agent has them tabulated on a special form which has columns for the quantity, description, unit prices, names of all tenderers, and the prices quoted by each, et cetera. This data is all entered and then forms the basis of his consideration of the tenders. There may be five or six of these lists on some tenders. That is a permanent record which goes on the files, signed by the purchasing agent, signed by the chief purchasing agent, or the director of purchasing, before the deal is closed, and it remains permanently on file in the department where it can be examined at any time to see if there should happen to be anything wrong in the set-up. This tabulation is done just as quickly as possible but in any case we have a requirement that it must be done within twenty-four hours after the receipt of the tenders by the purchasing agent. After this tabulation is completed, if technical assistance or advice is required before the purchasing agent can make his recommendation or decision as to the low tenderer, the purchasing agent calls in the appropriate technical officer. He may have to go back to the Department of National Defence. In connection with British requirements he may have to go to the United Kingdom Technical Mission. He gets the advice of the technical officer and requires him to place on the file the considerations which in his opinion should influence the department in the awarding of the contract. Our people are not so widely versed technically that they can handle all these things themselves. They have learned a lot about many technical matters but we still feel that in many cases we must sit at the feet of the experts of the United Kingdom, or of our own fighting services, when it comes to technical matters.

Now we come to the next stage, that of the decision as to the awarding of the contracts. I would just like to repeat that we have here a purchasing branch and we have in it various purchasing divisions; that is, we will have one purchasing division for food-stuffs, another for hardware, another for clothing, another for electrical stores, one for barrack stores, etc. It is these division purchasing agents who are dealing with these tabulations of tenders. If the amount of the contract to be awarded is not more than \$2,000 and if in his judgment the contract should be awarded to the lowest tenderer the purchasing agent of the division has the authority to award the contract without further reference or authority. It must be for not more than \$2,000, and it must be given to the lowest tenderer as shown on the tabulation. If, however, it is the judgment of the division purchasing agent that the contract should be awarded

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to someone other than the lowest tenderer he places his recommendation to this effect on the tabulation sheet and he then discusses the file with the head of the purchasing branch; that is, his senior officer. The head of the purchasing branch either approves or amends the recommendation of the division purchasing agent, and if he approves it, or as he amends it, the division purchasing agent may then award the contract. That means that within the purchasing branch there is authority vested in the man at the head of the branch to award contracts up to \$2,000 either to the lowest tenderer or to other than the lowest tenderer. If, however, the amount of the contract is in excess of \$2,000 but not in excess of \$5,000 it starts off again with the division purchasing agent making his recommendation on the tabulation sheet. If it is the intention to award the contract to the lowest tenderer the head of the purchasing branch may approve and the contract may be awarded; but if it is intended or desired to award it to anyone other than the lowest tenderer and it is within the range of \$2,000 to \$5,000, you have to go a step higher to get the authority, the head of the purchasing branch cannot give it. The head of the purchasing branch refers such cases to the executive assistant to the Deputy Minister. I have two such executive assistants and he takes this recommendation to one of these men who if he think it is desirable to do so may bring it to me for my attention; and if it is approved by us, by one of these assistants or myself, it can then be awarded. Again, I would like to emphasize that these are cases where the value is between \$2,000 and \$5,000, and where it is desired to award the contract to other than the lowest tenderer.

By the Chairman:

Q. What considerations would govern in such a decision, generally?—A. One of the usual considerations is the question of delivery.

Q. The question of delivery?—A. Yes. If the lowest tenderer has promised delivery in eight weeks and the Department of National Defence on their contract demand has said that they must have it immediately and some other tenderer has promised three weeks delivery or off-the-shelf delivery, that will be taken up. Again, there may be the question of the Department of National Defence technical officer saying that the second lowest tenderer meets the specifications of the department better than the lowest tenderer and that he recommends that such firm's equipment be purchased, something like that. In any case, the reason is clearly stated on the file for future reference.

Mr. BERCOVITCH: It is one o'clock, Mr. Chairman.

The CHAIRMAN: Yes, it is one o'clock. What is your wish as to when we shall meet again?

Mr. BERCOVITCH: Mr. Sheils is a very busy man and I think we should consult his convenience.

The CHAIRMAN: Certainly, by all means. Mr. Sheils, would it suit you to be here tomorrow afternoon?

The WITNESS: Yes.

The CHAIRMAN: Very well then, we will meet again tomorrow afternoon at 4 o'clock p.m.

The committee adjourned at one o'clock p.m. to meet again tomorrow, Wednesday, March 19, 1941, at 4 o'clock p.m.

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SESSION 1940-41

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(HOUSE OF COMMONS

(SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

WEDNESDAY, MARCH 19, 1941

WITNESS:

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

WEDNESDAY, March 19, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Ross (*Moose Jaw*), Sissons, Thorson.

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, was recalled. He was heard in further explanation of the functions of his department and was questioned.

Mr. H. Borden, K.C., general counsel to the Department of Munitions and Supply, replied to legal questions.

The Committee adjourned at 5.55 p.m. until tomorrow, Thursday, at 4 o'clock p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368.

March 19, 1941.

The Special Committee on War Expenditures met this day at 4 o'clock p.m. The Chairman, Mr. J. T. Thorson, presided.

Mr. G. K. SHEILS, Deputy Minister of the Department of Munitions and Supply, recalled.

The CHAIRMAN: Mr. Sheils, will you carry on from where you left off yesterday?

The WITNESS: When we adjourned yesterday, gentlemen, we had covered the question of the awarding of contracts where the amount was not more than \$2,000, and I had pointed out that if these were to be awarded to the lowest tenderer, the authority to do so rested with the purchasing agent of the purchasing division concerned.

If, however, such contracts were to be awarded to anyone other than the lowest tenderer then the authority to do so must come from the general purchasing agent or the head of the purchasing branch.

I pointed out also that if contracts over \$2,000 and not over \$5,000 were to be awarded, the authority to do so, in the event of the contract going to the lowest tenderer, rested with the general purchasing agent or the head of the purchasing branch, but that if such contracts were to be awarded to anyone other than the lowest tenderer the matter must be brought up for the approval of the executive assistant to the deputy minister who, in his discretion, referred it to me.

We now go on to the awarding of contracts over \$5,000.

By the Chairman:

Q. Before you leave that, Mr. Sheils, in the case of contracts under \$5,000 what considerations would govern the letting of the contract to any person other than the lowest tenderer. Was that fully covered yesterday?—A. Yes, we dealt with two of the more important reasons: the question of delivery where the contract demand from the Department of National Defence called for a delivery date which the lowest tenderer had stated clearly he could not meet, or where the technical officer concerned in the Department of National Defence had stated that the lowest tenderer did not meet the specifications of the Department of National Defence, and that therefore he preferred the second or third. The technical officers usually enter into some detail as to why such tenders do not meet the specifications, and this is clearly recorded on the file.

By Mr. Bercovitch:

Q. If there were three or four tenders under \$2,000 or under \$5,000, all for the same amount and all things being equal, what if anything would govern your giving the tender to one in preference to another?—A. You mean if three or four tenderers all quoted the same price?

Q. Yes, the time of delivery and everything else being equal.—A. The usual consideration then is the past experience with those tenderers and the volume of business which has already been given to each of them. A record card is maintained in the purchasing branch which shows the purchases from every tenderer up to date, and the attempt in such cases is to divide the business as fairly as

possible. In a case such as you have mentioned, if one tenderer had received more than another up to date, he would probably not get this order; it would be given to somebody else, provided, of course, that such other tenderer had not previously shown his inability to fill a tender properly by getting into trouble with deliveries or specifications, or something like that. All these matters are taken into consideration in a case such as you mention.

By Mr. Harris:

Q. On that point, Mr. Chairman, in dividing the tender is due consideration given to plants supplying the goods required under the contract demand where they may be centered in different provinces but where the ownership of those plants might be vested in some of the larger companies right across the country as compared with smaller companies who supply only the needs in the province? I am supposing the price to be equal, as mentioned by the hon. member for Cartier. What is the policy of the department? That is the first question.

The second question based on that relates to the manner of deliveries of the goods in question. A firm or plant in Nova Scotia contracting on requirements right across Canada would find itself of necessity paying freight to Vancouver whereas they might be very well equipped to supply the requirements in Nova Scotia to much better advantage than a firm which would be quoting right across Canada.

I should like to inquire of the policy in regard to a case of that kind where there is a definite saving to the department in using the company which can supply the goods, we will say, in Nova Scotia only?

If the tender called for delivery all across Canada, is it the policy of the department to break that down, not so much from the point of view of helping the manufacturer in Nova Scotia, but from the point of view of decided economy inasmuch as the freight from Nova Scotia to Vancouver is added to the local Nova Scotia tenderer's price?—A. There is a very definite policy to divide the tender on those occasions, and the requirements to be used by the army in, say, Winnipeg would be given to firms in that vicinity wherever possible, and in the maritimes the same.

Q. But in the event, Mr. Chairman, of tenders being called for deliveries right across Canada, does the department in examining those tenders give consideration after their tenders are received? My point is this, Mr. Chairman, that the wording of the tenders definitely indicates in many instances that deliveries must be effected in Vancouver and right across the country from that point to Halifax. When they are received back the prices are quoted F.O.B. and the freight is added. In the case of those smaller manufacturers who have not plants right across Canada it puts their tenders out of reach. As the tenders are presently drawn, Mr. Chairman—and I think the witness will bear me out in this—they are drawn for delivery right across Canada, and I should like to ask what is the policy with regard to breaking them down afterwards.

Mr. BERCOVITCH: I understood that Mr. Sheils was speaking of cases where no tenders are called for as the amount is \$2,000 or less, so it would not apply in that particular case.

Mr. HARRIS: Well, when you get up to \$5,000.

Mr. BERCOVITCH: From \$2,000 to \$5,000 no contracts or tenders are called for.

Mr. HARRIS: Then above \$5,000.

The WITNESS: Tenders are called for, sir. We are just dealing with the question of the authority of awarding the contract after the tenders have been received and considered. We have been working up to \$5,000 on that basis.

[Mr. G. K. Sheils.]

Answering the first question, there is a definite policy to try to distribute those orders so as to have them coming from plants located as near as possible to the place where the goods are to be consumed, thus saving freight and giving the contractors all across the country a chance to tender. Frequently that is done before the tenders are called; that is, we will get a contract demand from the Department of National Defence for half a million units and we will break that up and call for tenders in smaller quantities and will issue invitations to tender to people in the locality where the goods are to be consumed. So that you would not have the case of a small firm in Nova Scotia or in British Columbia being required to tender on half a million units for distribution all across Canada; he would be tendering on a smaller quantity to be delivered somewhere in his vicinity.

By Mr. MacInnis:

Q. Is it a common occurrence to have similar prices from a number of contractors on the same tender?—A. No, I would not say it is a common occurrence.

By Mr. Bercovitch:

Q. Are tenders called for in all cases irrespective of the amount?—A. No, sir, not in all cases, but the amount really has very little to do with it. I have been dealing up to the present with cases where tenders have been called for. I have in my notes two or three different categories where we do not call for tenders, and I propose to deal with those a little later, if I may.

By Mr. Graham:

Q. Is the department on guard against collusion between the tenderers? You say you try to equalize wherever possible the orders given to the different firms in that particular industry or supply group, but is the department on guard against a certain inclination in human nature to divide it at their own price?—A. Very definitely, sir. I think we watch that very carefully.

I should like to go on, gentlemen, if I may.

Mr. HARRIS: Mr. Chairman, while these subjects are under review is it your suggested policy that observations relevant to matters raised by the witness should or should not be placed on the record by some of us who may think them worthy of observation?

The CHAIRMAN: I would imagine, Mr. Harris, that Mr. Sheils, as he proceeds with his outline, will deal with certain matters in general categories. He is now dealing with procedure. I think it might be desirable, after Mr. Sheils completes a certain section of his general outline, for the members of the committee to ask any questions which they might wish to put to the witness touching upon the—

Mr. HARRIS: It is a matter of putting the observation on the record in its proper continuity. Mr. Graham just raised a point which I thought was very well taken. I have one in my mind right along the same lines as that raised by Mr. Graham. I do not want to interfere with the conduct of the committee but I should like to have your observations on how you would like it to be done.

The CHAIRMAN: I think that might be quite acceptable with this qualification, that it should have reference to the general system because we are here at the moment to explore all the existing checks and controls, care and safeguards and supervision which the department exercises in the course of its functions.

Mr. HARRIS: Then I imagine my point should be brought out at this juncture following in sequence Mr. Graham's question with reference to safeguards.

You can visualize, Mr. Chairman, a large company—I do not like to mention any names—but say the company where Mr. Sheils had his early training—having branches right across Canada. Now a tender is called for a commodity of a kind manufactured in plants which have branch plants across Canada. British Columbia probably has a competitive plant in the same line of business, but there is also a branch plant of the large firm in British Columbia. For example, following along the general line of the old establishment of freight rates, a freight rate is all that the traffic will bear. When you come to a point to which competitive rates apply you often find that the freight rate is much lower. I am going to use the freight rate as an example. The freight rate from Toronto to Calgary, for example, is \$1.98 per 100 pounds on a commodity while from Toronto to Vancouver when the boats were running it was only \$1 on the same commodity. It costs 98 cents more to take the commodity to Calgary than it did to take it to Vancouver, due to the fact that the freight rate structure was set up on all that the traffic would bear.

With that idea in your mind, Mr. Chairman, in the handing out of these tenders, a firm having branches right across Canada finds it is competitive in British Columbia. The unit cost of that item in British Columbia is right to the point so that the bigger organization would get that business. All right. Now then let us come to Calgary. There is no competition—we will say, using that as an illustration—in Calgary. It is a non-competitive point. The big organization then puts a price on plus the freight that is equal to this price plus the freight from Vancouver to Calgary. On a low-priced commodity the freight is often as much as the commodity itself. As a result the large operators make their money out of Calgary or Winnipeg, as the case may be. The smaller organization in British Columbia in putting a real unit price on their article is unable to meet what we might call for the moment the cutthroat price of the large organization and they no doubt, Mr. Chairman, are making their money out of the delivery in Calgary or Winnipeg, because they have plants in Calgary, Winnipeg and so on. If the unit price in British Columbia was made to obtain in Calgary then the competitor in British Columbia of the large organization would have the opportunity to compete fairly, and the unit prices in both places would be forced down somewhere near each other. I do not know whether I have made my point clear or not, but I think that some safeguard of some kind should be originated. It does not obtain at the present time so far as we know, and it should be originated to protect them against that possibility.

The CHAIRMAN: Protect them in what way?

Mr. HARRIS: Protect them so that the Calgary operator which is part of a large organization could not put an exorbitant price on the commodity there or could not put a price on based on Vancouver plus the freight rate to Calgary, could not put on a maximum price to use the last illustration. You know more about it than I do. I mean could not put on a price plus tariff.

The CHAIRMAN: What have you to say with regard to that proposition, Mr. Sheils? It is a large question.

By Mr. Gladstone:

Q. Supplementing Mr. Harris' question, which has to do with delivery of the same article at different points in Canada, may I ask this question? A requisition is sent out for a number of different items made by the same type of manufacturing industry and prices are submitted in separate amounts for the different items. Is the tender awarded to the company having the lowest total amount for all of the items or sometimes is the order divided

[Mr. G. K. Sheils.]

amongst several firms so that each firm may be quoting the lowest price on individual items and they will receive orders for the items where their price is lowest?—A. The division is made in the way you described last.

Q. That is, the order is not necessarily placed with the firm that has the lowest total price for all the items?—A. No; an order may be divided, usually is divided, so that the firm which quotes the lowest price on a specific item gets the order for that item and so on all down the line.

Q. Then it might follow in the case of the same item for delivery at different points throughout Canada that the order would be placed with the firms quoting lowest prices at the specific delivery point?—A Yes; wherever there is a productive capacity in that vicinity we try to utilize it. For instance, the Department of National Defence has military districts all across the country, as you know, and if the goods are to be consumed in certain military districts we endeavour to buy them as near as possible to that district. I think that covers in a great measure the point of which Mr. Harris was speaking, i.e., of one concern being able to monopolize the business all across the country.

By Mr. Bradette:

Q. If the tenders are at a lower price there should be no reason for refusing them?—A. No; if they are at a lower price with respect to military districts in which the goods are called for they would very probably get the business if their deliveries were all right and specifications all right.

Q. It would be impossible to stop them, with all due respect to Mr. Harris. After all, they are the lowest; they can deliver the goods.—A. I do not see how we could justify not giving the order to any concern which quoted the lowest price and could deliver goods satisfactory to the Department of National Defence.

By the Chairman:

Q. Now you have cleared that up perhaps you will deal with contracts above \$5,000?—A. Yes.

Q. Where tenders are called?—A. Yes. In the case of a contract above \$5,000 the purchasing agent of the division prepares a special form which we call D.M.S.12. It will be referred to a number of times in the future. This form is in effect a summary of what has gone before on that file, getting down in black and white everything that has happened. It recites the receipt of a contract demand from the Department of National Defence, recites by whom it is signed; it recites that evidence has been put forward that the money is available, states the quantities and the articles required and goes on to set out how many firms were invited to tender, how many of them responded, and it lists the six lowest tenderers, if there are more than six. In some cases it lists more than six lowest tenders if there is not a very great variation in price and it is therefore necessary to do so in order to set out the complete story.

This form is then submitted by the purchasing agent of the division to the head of the purchasing branch—the general purchasing agent or the director of purchasing or whatever you like to call him—the head of the purchasing branch. This officer checks it and when found correct signs it.

We have in the department what we term the “order in council” division. That is where the submissions for orders in council are prepared. The officers in charge of that division stand ready at all times to assist the purchasing agents in the preparation of these forms, the idea being to make absolutely certain that all the pertinent facts on the file are reflected in this summary. When the head of the purchasing branch has signed this form he sends it and the entire file to the purchase investigator. We have in the department an office known as that of the purchase investigator.

By the Chairman:

Q. Who is the officer in charge of that?—A. The officer in charge of that is Mr. John Marsh. He has a number of assistants. He is the purchase investigator and is directly under the deputy minister, the idea being to remove him from under the authority of the purchasing branches and to give him a direct line of access to the deputy minister.

The purchase investigator reviews the file and discusses with the head of the purchasing branch concerned and if necessary with the division purchasing agent any point which may appear to him not to have been adequately considered or any question which he may wish to raise as to the recommendation which has been made to him. When he has satisfied himself that the recommendation of the division purchasing agent and the head of the purchasing branch concerned, as submitted to him, or as it may be amended as a result of the discussions above mentioned, is a proper recommendation having regard to all the facts of the case, he then signs both copies of this form D.M.S.12. Now at this point the files may take different routes. If the file now shows that it is recommended to award the contract to the lowest tenderer the purchase investigator, after having approved the file, sends it back to the order in council division where the order in council officers prepare and place on the file the formal recommendation to council. If, however, the file shows at the time it leaves the purchase investigator's office that it is recommended that the contract be awarded to someone other than the lowest tenderer then there is another safeguard. This file, including the form D.M.S.12, goes to one of the executive assistants to the minister of the department. Once a day the executive assistants to the minister meet with the purchase investigator and with the head of the purchasing branch concerned.

The CHAIRMAN: Purchase division concerned.

The WITNESS: Purchase branch and division also if necessary. That is, there are a number of purchasing branches in the department and a number of divisions within each of these branches. These gentlemen have a meeting and discuss all files which have come to them in this category. As a result of that meeting a decision is usually reached as to whether the recommendation to award this contract to this party who is not the lowest tenderer shall be approved or whether the matter shall be referred back for further consideration. A decision may even be made right in the meeting to change the award. The committee may at this point refer the file to the deputy minister or to the minister for consideration. There is a real round table discussion on all such files each day. There is a regular meeting each day at 11.30. After the files have been thus reviewed, if the executive assistant to the minister is satisfied that the recommendation is a proper one, having regard to all the facts of the case, he in turn signs this form, D.M.S.12, and the file is then returned through the purchase investigator who has been present at the committee meeting to the order in council division where the proper officers prepare and place on it the formal recommendation to council. Now, we have both types of files brought to the stage where they have on them the recommendation to council. These files, duly approved and documented in accordance with the foregoing, are then passed to the deputy minister who either approves the recommendation or refers it back for further consideration. When the final approval has been given by the deputy he indicates such approval by signing the form D.M.S.12 in the space marked "I concur" with a space for the signature of the deputy minister. The file is then passed to the order in council division where the recommendations to council are detached from the files, listed and prepared for submission to the minister of the department for his signature, and when signed by the minister they go to privy council and the privy council then decides whether up to that stage we have done a good job or not. Sometimes the minister will hold up a file for further investigation. I do not think, gentlemen, that at any stage of this routine is there a purely perfunctory approval of what has taken place before. I believe that every officer along the line realizes

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his responsibility to scrutinize the files and that he is going to be obliged to place his signature on them as certifying that he believes that the facts stated therein are correct.

By the Chairman:

Q. Would the order in council in each case indicate whether the contract was recommended to be awarded to the person submitting the lowest tender?—A. Oh, yes.

Q. In a case where someone other than the lowest tenderer was recommended for the contract the considerations that governed that decision would be indicated?—A. Yes, absolutely. The recommendation for the order in council recites all the pertinent facts shown on the D.M.S.-12. As I pointed out, we must state on that form a list of the tenderers; and if it is recommended by the purchasing agent that the contract be awarded to other than the lowest tenderer there must be ample reason given on that D.M.S. form as to why that is desired.

Q. And the order in council contains a summary of all those conditions?—A. Yes, it recites all the pertinent facts shown on the D.M.S. form. When I come to speak of order in council routine I propose to give a little more information about this D.M.S. form which will bring out this point.

Q. Yes. Now you have been giving us a general statement. Is that general statement a matter of departmental instruction, circulated throughout the department?—A. Yes, it is, sir. The document from which I have been quoting this afternoon is what is known as a departmental instruction letter. This one happens to have been issued on August 21, 1940, over the signature of the deputy minister. We have a definite set of such instruction letters covering practically all procedure within the department. These are kept revised up to date and are re-issued from time to time. And as some new procedure crops up we issue a definite formal instruction letter to cover it as soon as possible. That is what I have been quoting from in this case.

Q. And these various instruction letters are circulated throughout the department to all the officers of the department concerned?—A. Yes, they go directly to all the directors-general of branches, and to the heads of the divisions concerned, and to all other officers such as the comptrollers, the presidents of all government-owned companies, and so on. There is a wide circulation given to them.

The file is then returned to the purchasing branch concerned where it is held until the order in council comes back from privy council. Then we are in a position to award the contract over \$5,000. We have not been in a position to do so up to that point because we have not had the privy council authority. I will deal in a few minutes with some cases where, due to extreme urgency, orders are issued on a tentative basis prior to the receipt of the order in council; but, generally, the practice is that the order is not issued until the order in council authority is received.

Mr. Ross: Mr. Chairman, might I ask Mr. Sheils a question just there; he has been speaking of contracts awarded on tender.

The CHAIRMAN: Yes.

Mr. Ross: Whether the lowest tender or not.

The CHAIRMAN: Yes, he is on that subject.

The WITNESS: Yes.

Mr. Ross: Now, in connection with these orders that are given without tender, do they need an order in council?

The CHAIRMAN: I think Mr. Sheils will deal with cases of contracts that are awarded without tenders specifically, and deal with all that subject in one piece.

Mr. Ross: Perhaps we had better let him go ahead with his statement and then question him further on it when he has finished.

The WITNESS: I could answer that question very briefly. The answer is, yes, if they are over \$5,000 they must have an order in council.

By the Chairman:

Q. Whether the tender has been called for or not?—A. Yes.

Q. Every contract involving over \$5,000 must be authorized by order in council?—A. Yes.

The procedure with regards to the actual issuing and handling of contracts and acceptances of tender is the same whether the contract is awarded as the result of calling for tenders or not calling for tenders; so, if I may, I will deal briefly with the routine of issuing and handling of contracts, and then the next item to be dealt with covers the cases where it is decided it is not practicable to call for tenders. The Department of Munitions and Supply Act provides that in all cases where the amount involved in any proposed contract exceeds \$5,000, the proposed contract shall not be entered into until authority to do so has been granted by the Governor-in-Council.

The CHAIRMAN: That is the point raised by Mr. Ross. Have you the reference there?

The WITNESS: I am referring to section 8, sub-sections (d), (e) and (f) of the Munitions and Supply Act. And a further provision of these sub-sections is that in cases where the amount involved in any proposed contract does not exceed \$5,000 the department may enter into such proposed contract without authority from the Governor in Council.

So, having in all cases where we need it obtained the privy council authority, we proceed to award the contract. The procedure adopted in the department is that all contracts are written up on acceptances of tenders. We have two forms for that, M. & S.-2 and M. & S.-8. M. & S.-8 is used where unit price contracts are made covering such items as fuel, food, forage and so forth, to be supplied over an extended period. For instance, take bread, we might contract for a two months supply for delivery at a certain point. M. & S.-2 is used for all other awards.

Where, in the opinion of the negotiating officer the terms and conditions on the invitation to tender form and the acceptance of tender are not adequate to cover a particular purchase by acceptance of tender, the acceptance of tender will contain the following clause: "A formal contract with respect to this acceptance of tender will be drawn later in a form satisfactory to the government, containing the general termination clause and such other terms and conditions (not inconsistent with the terms and conditions on this acceptance of tender) as the department may require". The complete file, including a copy of the acceptance of tender form issued in accordance with the foregoing is then forwarded to the legal branch of the department so that the formal contract may be prepared.

There is another safeguard in connection with this issuing of contracts, i.e. that these forms, M. & S.-2 and M. & S.-8 must be signed on behalf of the department by a duly authorized officer. I will be referring later on to the signing authority which is delegated by the minister to certain officers, and will bring out the facts that this authority is limited to certain specified officers and to certain specified jobs. Only those officers who are duly authorized to sign such contracts have the power to sign these acceptance tenders. This is a further safeguard which is utilized.

The acceptances of tender referred to are prepared in a large number of copies and these are distributed. The first copy goes to the successful tenderer, the second also goes to him. It is known as the acknowledgment copy. He is obliged to sign it and return it to show that he has received the order and that he accepts the terms shown on the acceptance of tender. In effect he also repeats his

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promise with respect to delivery, which promise he was required to make on his tender when he sent it in; and that is used later to follow up through our tracing section to see that he is living up to these promises. There are a number of other copies; a file copy which goes on the tender file; a treasury department copy which is signed by one of the duly authorized officers and forwarded to the treasury department—the purpose of this is to provide the treasury department with a signed document against which they can check suppliers' invoices, thereby eliminating the necessity of the Department of Munitions and Supply certifying these invoices. One copy goes to the statistics branch of the department, another goes to the Auditor General of Canada, and another one goes to the follow-up or tracing section where it is filed alphabetically by contractors. Immediately the acknowledgment copy comes back from the contractor the receipt of it is indicated on the follow-up copy, and the information regarding promised deliveries and so on is recorded and the follow-up copy is then used to check up on the contractor if his deliveries do not come through on time. We know from the receipt of his invoices which pass through this tracing section whether his deliveries are being made on time or not. We do not, of course, actually see the goods; they go to the Department of National Defence, but we can check up from the invoices. Five copies of the acceptance of tender are sent to the Department of National Defence; one copy goes to the proper section of the purchasing division where it is filed according to commodities being purchased. That is for ready reference in the department in the case of further tenders to see how the prices are running, whether prices are being increased or not. There is an extra copy retained by the purchasing division and filed according to the contractor's name; and that is used to draw at any time to compare prices or to see the amount of business being awarded to a contractor. Another copy is forwarded to the traffic controller who uses it to deal with matters in connection with shipments; at present he uses them particularly re shipments going overseas. In such cases the traffic controller must arrange that the shipments leave the contractor's plant at a proper time to arrive at the seaport when there will be bottoms available for them. The traffic controller receives copies of all acceptance of tender. Where a formal legal contract is drawn the same number of copies of such contract are prepared after signature and circulated in the same manner to the people who receive these copies of acceptances of tender. ~~1~~

When it has been finally decided to whom the contract is to be awarded, and in all cases of contracts over \$5,000 that decision has been approved by the privy council, all the unsuccessful tenderers are notified by form letter to the effect that their tender has not been successful in obtaining the order. This we consider necessary because, particularly with the smaller concerns who are tendering, or in the case of large contracts, the tenderers have very probably covered themselves with options on raw materials, and in order to enable them to release these options if they do not get the contract we notify them that they have been unsuccessful. That covers the procedure up to the awarding of the contracts.

I have mentioned briefly what takes place in connection with the follow-up or tracing section to ensure that the contractor delivers on time. I would now like to deal with the cases where it is decided it is not considered practicable to call for tenders.

The CHAIRMAN: At that point, before you start on a new point, are there any questions of a general nature with regard to the ground covered by Mr. Sheils that members of the committee would like to ask?

By Mr. Graham:

Q. There is one I would like to ask. My attention has been drawn to subsection (f) of section 8. I am a little puzzled by the wording of that particular section dealing with the allowances for variations. Is the procedure

that you have outlined, Mr. Sheils, according to that subsection, only applied where the total amount of the expenditure involved in the extra exceeds the amount of expenditure involved in the original contract?—A. You mean that the extra would be required to be a larger amount in itself than the original contract?

Q. Yes.—A. No.

Q. You notice the wording of that subsection.—A. I regret I am not a lawyer. I would like, with your permission, to ask our general counsel to reply *re* that point.

The CHAIRMAN: Perhaps Mr. Borden might just be prepared to pass his opinion on that.

Mr. HENRY BORDEN, K.C. (General Counsel, Department of Munitions and Supply): Mr. Chairman, the history of that section goes back to the days of the War Supply Board in the early period of the war, and it was particularly applicable to and utilized in, for example, construction contracts where we were frequently having to get additions and to make contracts quickly for amounts which would bring the total contract above the amount previously authorized. For example, if the contract were for \$4,000, an amount which did not require order in council authority, the extra might involve \$1,200, for sewage facilities or water supply in some district or things of that kind. It was for that reason, to save a terrific multiplicity of recommendations to council and the procedure involved in that, that it was considered the extra or variation should be treated as a separate contract, and as long as the extra did not exceed the original contract by more than \$5,000, no authorization by order in council would be required. That is the purpose of that section, sir.

Mr. GRAHAM: To clarify it in my own mind, Mr. Borden, I take it from the wording of that particular section that a contract comes under subsection (d), in cases where the amount involved in any proposed contract exceeds \$5,000—it might be, of course, \$500,000. Is the meaning of that subsection (f) that up to the total amount of the original contract—let us say \$500,000—the procedure outlined by Mr. Sheils does not have to be followed in the letting of these contracts for extras or variations?

Mr. BORDEN: It has never been construed in that manner.

Mr. GRAHAM: Do you not agree with me that that is the wording of the subsection?

Mr. BORDEN: No.

The CHAIRMAN: If the extras exceed \$5,000, then an order in council would be required.

Mr. GRAHAM: Yes. But read the section, Mr. Chairman.

The CHAIRMAN: The point is, as I gathered it from Mr. Borden, that the extra is to be regarded as a separate contract. If the extra is less than \$5,000, then an order in council is not required.

Mr. GRAHAM: I will admit that.

The CHAIRMAN: If an extra is more than \$5,000, an order in council is required. Is that right, Mr. Borden?

Mr. BORDEN: That is right, Mr. Chairman. As to whether or not it is capable of that construction which has been put on it, I defer to your interpretation of it, Mr. Graham; it may be capable of the construction which you put upon it. I have not examined it recently at all.

The CHAIRMAN: It says *mutatis mutandis*.

Mr. BORDEN: As far as the interpretation put upon it by the department in its operation, the fact is—

Mr. GRAHAM: That you do observe it.

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Mr. BORDEN: We do. If it is beyond \$5,000, automatically it becomes a matter for authorization by an order in council.

Mr. GRAHAM: Yes. That is really the information I wanted, whether in practice you followed the procedure which you suggest, which to me would not be indicated by the way the subsection is worded. I must confess that in the ordinary grammatical sense of that subsection it does not give control in the matter of contracts or extras in the manner in which you suggest the practice of the department is being carried out. I was quite surprised when I read that particular subsection. I will admit that.

The CHAIRMAN: I am not clear now. Suppose the original contract is for over \$5,000 and an order in council has been issued, and it then becomes necessary to have some extra or modification or alteration, and such extra or alteration or modification involves only \$500. Do you have to go back for an order in council?

Mr. BORDEN: No, sir.

The CHAIRMAN: For the extra or alteration or modification?

Mr. BORDEN: No, sir. We interpret it that we do not. But if the extra involved is in excess of \$5,000—

The CHAIRMAN: Then you would have to?

Mr. BORDEN: —then no matter what the original contract was, even though the original contract involved \$2,000, if the extra—if one could conceive it—amounted to \$5,001, we would get an order in council for the extra where we would not have it for the original contract.

The CHAIRMAN: In other words, you regard the extras or other allowances or variations, alterations or modifications as a separate contract?

Mr. BORDEN: The is right.

By Mr. Fournier:

Q. Are tenders asked for those amounts over \$5,000 for extras or are the extras given to the same contracting party?—A. In some cases it is practicable to ask for tenders for items like that, in other cases it is not practicable and the original contractor is given the extra.

The CHAIRMAN: This is primarily designed for construction, is it?

Mr. BORDEN: It was originally, Mr. Chairman, yes.

By Mr. Ross (Moose Jaw):

Q. Just at that point I should like to ask a question. I have not a legal mind, but as I understand it, if an extra is asked for of over \$5,000, an order in council must be obtained. But suppose two extras are asked for of \$3,000 apiece. Is an order in council necessary in that case?—A. If they were asked for at the same time, I feel quite sure they would be put through as a \$6,000 item. But it frequently happens, as in the case of ship building, that there may be a number of extras asked for at comparatively short intervals, and they would be dealt with, each one, as a separate item.

By the Chairman:

Q. That is, there may be alterations in specifications?—A. Yes. That is frequently what causes these extras.

By Mr. Ross (Moose Jaw):

Q. Practically you would expect that?—A. Yes.

Mr. BORDEN: I wish to amplify what I said before, Mr. Chairman. Although it was originally designed for construction in the early days, that clause has been utilized to take care of situations where alterations in specifications have been necessary.

The CHAIRMAN: So that it has a wider application now than originally when it was designed for construction projects?

Mr. BORDEN: Yes.

The WITNESS: Yes, very much so.

The CHAIRMAN: If there are no other questions, perhaps you will proceed, Mr. Sheils, with what you were about to deal with.

The WITNESS: Yes. The next item with which I should like to deal, gentlemen, is the case where it is considered in the department that it is not practicable to call for tenders. I might refer back for a moment to the consideration which is given to the question as to whether or not it is practicable to call for tenders. I have pointed out previously that the supply situation with respect to a certain article may be well known in the department from our previous experience. If it is not we may have to check trade index books to ascertain it or we may have to refer to our plant survey division where we have records of a large number of plants and what they can make. We may have to consult the controllers—

By Mr. Harris:

Q. May I interrupt there to ask a question? Yesterday it was deposed that the C.M.A. jointly with the chambers of commerce filed a report. That report is not filed yet. When do you expect to get that, Mr. Chairman? It was deposed yesterday and the impression was left that you had a report of the manufacturing possibilities. The report was being gathered by the Canadian Manufacturers Association jointly with the chambers of commerce. As a matter of real fact, that report has not yet been put in your hands.—A. I did not say we had received this joint report—I said they are now making it. I did say that there is a report in our hands prepared by the C.M.A., not in concert with the chambers of commerce.

Q. Quite so. When do you expect the report I referred to?—A. I could not say when we will get it. The chambers of commerce and the Manufacturers Association set up a joint committee to make this survey and to obtain this information. They are not working under the instructions of the department in so doing, and I could not say when they will be in a position to place the report in our hands.

By the Chairman:

Q. On the same subject as Mr. Harris has raised, may I ask how extensive is the plant survey that the department has? You mentioned a survey of industrial plants yesterday?—A. Yes.

Q. How extensive is that survey?—A. These surveys, about 2,600 of them, go into considerable detail as to the floor space in plants, the present utilization of it; the machinery, the machine tools and equipment of all kinds available in those plants; the calibre of their skilled help, and of their technical and other officers, etc.

Q. How many of these surveys do you say you have?—A. I believe we have, up to date, 2,628.

By Mr. MacInnis:

Q. When were those made?—A. Those were commenced under the Department of National Defence, I believe, in 1938 and have been continued ever since. When the Department of Munitions and Supply was formed that work was transferred to us with all the records which the Department of National Defence had accumulated; and we have since continued surveying new plants and re-surveying old ones. There would be scarcely any of the plants surveyed in 1938

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which have not since been re-surveyed unless the 1938 survey showed that they were practically hopeless from the point of view of management, equipment and everything else.

By Mr. Sissons:

Q. Who makes that survey? Is it made by the officers of the Department of Munitions and Supply?—A. Yes.

If, after the consideration of the facts which I have mentioned, the contract demand which we have received does not seem to be such as can be fitted into our tender system, we have to consider other ways of dealing with it. Some of the more important categories into which such contract demands might fall would be the following: an extremely urgent requirement from the Department of National Defence where delivery is required almost immediately or just as quickly as possible, and where some contractor is already in production on the same article, having probably obtained his contract as a result of being the lowest tenderer on a previous contract demand. In some such cases the new order is placed as a "follow-on" order with the contractor who is then in production. In all such cases where a "follow-on" order is given the purchasing agent of the department attempts to negotiate a lower price, not only on the new order but also on the previous quantity which the contractor has now in production. We can usually convince the contractor that with the greater quantity to produce he is going to make certain economies in cost and that there should be a lower price negotiated.

Another category into which these non-tender orders might fall is where the requirement is so large that the productive capacity of an entire industry must be used. I am thinking now of contract demands which were received from the Department of National Defence approximately one year ago for woollen cloth for the manufacture of uniforms. These requirements were so large that it was quite out of the question to call for tenders. We brought in an industry committee representing the textile industry of Canada, and after full and frank discussions with them secured their services in allocating these orders to the plants which they knew were the best fitted to produce the respective grades and types of cloth. Going on further, this industry committee then policed the performance of the contracts, and worked with us to see that the contractors lived up to their delivery promises.

That order, incidentally, was placed on what we term a ceiling price based on a cost audit. I will refer to that later, but that is the principle we used at that time to mobilize the textile industry.

By Mr. Cleaver:

Q. Under those circumstances would all of the firms supplying cloth receive the same price per yard or per pound?—A. The ceiling price would usually be fixed at the same price, but the contracts would provide that if the contractor should make more than a certain percentage of profit on his contract the ceiling price would be reduced so that he would be left with only this agreed upon reasonable percentage of profit. The ceiling price would in no case go up. It would be the contractor's bad luck if he did not operate within the price.

Q. So that the operation by an industry on what we might term the excess profits basis would result in a refund on the final price?—A. Yes. Usually that would be handled by a hold-back in the money paid to the contractor, so that if he should show an excess profit he would not receive his full final payment. The profit would be adjusted in the final payment.

By the Chairman:

Q. The ceiling price is not necessarily a unit price?—A. No.

Q. The ceiling price is the maximum price beyond which the contractor will not be paid?—A. That is right. It can come down but it does not go up.

By Mr. Cleaver:

Q. I take it from what you said that that practice is only followed as to certain articles where you require the total output of existing industry in that line?—A. No; the ceiling price was used in that case but it is not used only in such cases.

The CHAIRMAN: Mr. Sheils mentioned that it might be used where there was a matter of urgency, as well as the cases where the whole industry would be used.

By Mr. Bercovitch:

Q. Who would decide as to whether there were excess profits or not?—A. The contracts usually provide that there shall not be a profit of more than a certain percentage, which is stated right in the contract. In the case of the textile industry, it was 5 per cent. If they made more than 5 per cent on our cost audit figures—we did the cost audit—the ceiling price was then reduced so as to leave them only 5 per cent profit.

In other cases of contracts, the contract may read like this: "that the contractor will receive his cost properly related to the performance of the contract (which, by the way, would be determined by our cost auditors) plus such profit as the minister with the approval of the privy council may deem fair and reasonable."

Q. The test was whether he made more than 5 per cent profit or not?—A. Yes.

By Mr. Graham:

Q. In connection with that contract you spoke about there is the inclination of human nature not to hand back excess profits. Were there any examples of particular industries within an industry making an excess profit and the price being reduced?—A. Oh, yes.

Another example of the using of an entire industry, and one which is rather interesting, is the making of steel truck bodies. We have been receiving large orders for motor vehicle transport, and we practically organized an industry committee ourselves; that is, we asked the industry to get together and form a committee, and this committee then allocated very substantial orders to the companies in the industry for the production of these steel bodies, and they worked on a definite percentage limit of profit with a ceiling price. This committee operated very efficiently in policing the performances of each contractor, and has been of very great help to the department in securing delivery of these goods on time. We have been very much pleased with the performance of these industry committees where industries have them or where they will organize them, and they have been of great assistance to the department.

By the Chairman:

Q. You mentioned two textiles and steel bodies. Are there others that come to your mind? Are blankets, for instance, dealt with by the follow-on system?—A. Yes, sometimes.

Q. They are dealt with by the textile committee?—A. On several occasions the textile committee have been obliged to allocate orders on blankets because the quantity has been so large it would not be practicable to call for tenders.

Q. The whole industry was then used for the production of such commodities as army cloth and army blankets?—A. Yes; I think it is safe to say that the entire industry would be used. If any plant were not used with respect to a particular order there would undoubtedly be an excellent reason for it

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which the committee would know. It might be that the plant was so busy on other war production that it would not be desirable to take them off it, or something like that.

By Mr. Graham:

Q. If you wanted the greatest economy with volume to reduce the cost of the production of the unit, you would naturally base your departmental cost on the high volume of products. You do not have it in mind to try to survey the whole industry and base your figures on a general average applicable to the whole, large and small, in that industry, do you?—A. Are you speaking of the cases where we utilize the productive capacity of an entire industry, such as I have cited?

Q. Yes. You do not try to force the little plants with small production to meet the cost figures of the large plants running at full capacity, do you?—A. No, not as a general rule. The cost accountants will go into the individual plants and make their own cost surveys.

Q. I am not disagreeing with you, but I want to get this clearly in my mind. You are not pursuing the policy of the greatest economy in production in your general application of policy?—A. In some cases where it seemed desirable to do so, such as the first large orders given to the textile industry, the price which was finally agreed upon was a flat price for all the mills. Audits were made in a number of the mills, and then after discussions with the operators of those mills and the textile committee a price of, say, \$2.25 a yard was fixed for the entire industry.

Q. But in its application the little fellow would not make the margin of profit per unit of production as would the big fellow?—A. No, not necessarily. In some cases, however, the little mill is a more efficient operator than the big one.

The CHAIRMAN: There may be cases, Mr. Graham—I suppose you have in mind where a military necessity is perhaps the governing consideration—where the need for getting equipment is the governing consideration.

By Mr. Graham:

Q. I noted your desire to spread the orders from coast to coast. You make up a large order into territorial tenders permitting factories out at the west coast to tender. I think you said this in answer to Mr. Harris' question. There, again, you are not seeking necessarily the lowest cost of production for a given requirement?

The CHAIRMAN: I understood Mr. Sheils to say that this was done where the requirements were so extensive that it was necessary to use the whole of the industry for the purpose.

By Mr. Graham:

Q. I am going back to where that was not the case. I just want to get it clear that the department is not necessarily following the same course as, let us say, the Ford Motor Company would follow in securing the requirements at the lowest possible price or the lowest possible tender. You take into consideration certain national reactions to the expenditures involved in our war effort?—A. Yes, those factors are given consideration. In the case cited by Mr. Harris where we have, let us say, a very large quantity of military boots to be delivered to military districts all across Canada, we would frequently break those orders up and call for tenders, so many in the Winnipeg district, so many in Vancouver and so many in the maritimes, and try to get the orders placed in those vicinities or as near as possible, and at the lowest obtainable price in that vicinity.

Of course, I should like to make it clear that those prices are scrutinized pretty carefully, and I do not think that we would pay 35 or 40 cents a pair more for boots simply to place them in a certain locality.

Q. But you might pay 5 or 10 cents more?—A. Yes.

By Mr. Black:

Q. In the early days the boots for the maritime provinces were being shipped from Montreal to Ottawa and then back to Halifax. I think that was corrected to some extent?—A. I am sorry I cannot answer as to what took place in the days you mention.

By Mr. Bradette:

Q. Is there any danger of the small producer being in some ways debarred? I have in mind the textile industry. Quite a lot of material came out before the Price Spreads committee to the effect that the textile industry is wonderfully well organized. They are better organized than some of the smaller ones; there is no doubt about that. Is there any danger, when an order has been mentioned with a ceiling price, of these big companies placing the whole of the order with some of their branches? That is what I would be afraid of more than anything else. I have not seen what protection there is to forestall a movement of that kind?—A. I am sorry I did not quite follow your question.

Q. I am afraid that under your scheme the smaller producers will be debarred or will not have free access to any of those contracts, for the reason that the bigger ones are better organized. I have in mind the textile industry. The textile industry is very powerful and wonderfully equipped and no doubt if they wanted to they could freeze out a small company quite easily. What protection have you in the department to forestall such a thing?—A. Are you speaking now of cases where we call for tenders?

Q. No; the case you are discussing.—A. Where we utilize the whole industry?

Q. Well, you may not call the whole industry; there might be some of them left out, without the knowledge of your department. That may be done very easily, because do you not go to the bigger producers for your information? That is only natural.—A. When we utilized the whole textile industry we had the industry committee working with and for us and the pressure was so great that they went out seeking mills with which to place the orders and were prepared to practically force such orders on mills whether they appeared keen to take them or not.

By the Chairman:

Q. You would have a record in the department of every mill and every concern of that particular industry?—A. Yes, I think we have a very clear record of that.

Q. And when you depart from the usual system of awarding a contract based upon tenders one of the considerations is the necessity of using the whole of the industry because the requirements of the department are so large?—A. Yes, that is one of the reasons.

Q. That is one of the considerations?—A. Yes.

By Mr. Harris:

Q. At that stage Mr. Sheils was mentioning boots and shoes. There was no necessity for having a ceiling on the price of boots and shoes, Mr. Chairman.—A. No, I did not mention boots and shoes in connection with a ceiling price. We did not use a ceiling price on boots and shoes to my knowledge.

Q. Your answer with regard to boots and shoes would be the same answer to apply to garbage cans?—A. My reference to boots and shoes was cited as [Mr. G. K. Sheils.]

a case where we might have a large contract demand and instead of calling for tenders for half a million shoes we would split that up and call for tenders for say five lots of 100,000 each in various military districts. There was no ceiling price; it was a tender proposition.

Q. Then with regard to manufacture of cans; visualize a small industry in different centres of Canada capable of making cans and then a larger industry working right across Canada. What is the condition there? Is that split up too? Are these contracts split up in each centre?—A. I do not know from memory whether we have ever had such large orders for an item like garbage cans that we had to split them up or not.

By the Chairman:

Q. In any event that would be done?—A. Yes, if the order were large enough.

Q. They would be tender contracts?—A. We have never had them so large that we had to allocate them to the industry like that. They were all tenders.

Q. You are now speaking of those contracts that are follow-on orders.

Mr. HARRIS: Not in regard to boots and shoes. In the quotation the witness gave there was no suggestion of a follow-on.

The CHAIRMAN: I did not get that.

Mr. HARRIS: It is quite true we were discussing the matter of follow-on and Mr. Sheils was good enough to give us an illustration on boots and shoes. But boots and shoes are not associated with follow-on at all. I was asking him if he could give the same deposition with regard to cans across Canada as he gave with regard to the others.

By the Chairman:

Q. It is perfectly clear that the boots and shoes had nothing to do with a follow-on order?—A. No; I would like you, sir, if you would care to do it, to put that question regarding cans to the officers of the department who are intimately connected with the purchases. They are here.

Q. You just used boots and shoes as a general illustration?—A. Yes. On the question of cans or anything else—

Q. It was not devoted to the subject-matter of follow-on orders?—A. On the question of cans or anything like that if anyone wishes to put the question when the officers who are intimately associated with the purchasing of the articles in question are here we would be very glad to bring out all these figures. I am sorry I have not them with me nor have I them in my memory.

Mr. HARRIS: I just wanted to make sure that the same policy was pursued with regard to other items.

Mr. CHEVRIER: I was wondering if we could go back to the textile committee. Is that an advisory committee?

The CHAIRMAN: An industry committee.

The WITNESS: Yes, an industry committee.

By Mr. Chevrier:

Q. Was it set up at the same time as the department was set up?—A. No; this textile committee is of much longer standing. It has been in existence for many years; we turned to them for assistance when we found ourselves with this tremendous order on our hands and realized that it would be useless to call for tenders. I suppose you might call them an advisory committee. We always have the power to override their decision or not to take their advice; but in their dealings with the industry itself they went somewhat farther than the usual advisory committee would go, and, as I say, did the policing job and saw to the performance of the contracts.

Q. Are they taken from industry or from labour or from both?—A. As far as I know this industry committee in textiles is composed entirely of the operators of the plants, not of labour.

By Mr. Graham:

Q. It is set up by the industry, not by you?—A. No; we did not set it up.

By the Chairman:

Q. It has no official standing in the department?—A. No; it is a committee of very long standing in the industry. We merely turned to them as a ready source of information as to which mills could efficiently produce these immense quantities of cloth which we had to secure.

By Mr. MacInnis:

Q. In letting contracts for this large quantity of cloth, Mr. Sheils, what provisions were made for the payment of fair wages between one plant and another?—A. These matters are dealt with by our labour relations branch under Mr. H. B. Chase who is a labour executive of long standing—I believe he has been an executive of one of the railway unions—and he in co-operation with the Department of Labour sees to it that all contractors working for us adhere to the federal government fair wage regulations.

By Mr. Chevrier:

Q. I wonder if I can follow up the question that Mr. Bradette asked a moment ago in connection with larger industries that have tendered for cloth contracts or uniform contracts or greatcoats. Is there any provision for a smaller industry being asked to tender with reference to large contracts?—A. Oh, yes. On a contract for greatcoats, it comes to my mind tenders were called for a large quantity. Many tenders were received from a great number of medium sized and smaller contractors, each of them setting out the quantity which he was prepared to take out of the total, and the order was distributed among a great number of smaller contractors, starting in some cases as low as a couple of thousand coats and working up to the largest contractors taking fifteen or twenty thousand.

By Mr. Cleaver:

Q. May I interrupt at that point? In that event would all the contractors be awarded orders at the same unit price per coat?—A. No. The plan there has been—I do not say that this is used in every case but in some cases which come to my mind—the plan has been to fill up the man who quotes the lowest price to the total quantity which he can handle and then go on to the man next above that and so on. In some cases that has been varied and an order may have been divided among four or five of the lowest tenderers after consultations during which they would be asked to reduce their price to that of the lowest tenderer. A careful investigation is made of each case to see which method can most advantageously be followed. In some cases it is not possible to negotiate them all down to the lowest price.

Q. Let us follow on from there. After you have had experience and have let a number of contracts, after calling for tenders with respect to a given article as to which you from time to time require more articles do you ever as a department set a unit price as a fair price and from that point on award the work on a unit price?—A. I would not like to say that we have proceeded in exactly that way. I think possibly, however, our system leads us to much the same result. We keep a careful tabulation of the prices quoted on all commodities and our purchasing agents also keep closely in

[Mr. G. K. Sheils.]

touch with raw material markets and if we had awarded a contract at say \$2.50 for some article made of say galvanized iron and the market on the raw materials dropped, when we were placing our next order we would look for a reduction in price and if the tenders did not show that reduction in price the matter would be discussed with the suppliers and we would try to negotiate them down or else get a good reason why they could not come down.

Q. In farming out an order in the way of a large order among a lot of little manufacturers I take it then that the lowest bidder is awarded as much of the contract as he can handle and deliver within the required period and then that the next lowest bidder would be awarded what he can handle and so on until the whole order is distributed?—A. That is the way it frequently works.

Q. Have you any rule in your department as to the maximum price fluctuation which you would permit between the lowest bidder and the man who received the lowest portion of the award?—A. I do not think there is any hard and fast rule as to a percentage, sir. I think it is a matter of the best judgment which can be exercised on each particular order.

By Mr. MacInnis:

Q. It would depend on the urgency?—A. Yes, that would be one of the factors, undoubtedly.

By Mr. Cleaver:

Q. Would there be at any time a fluctuation of more than 10 per cent?—A. May I ask our general purchasing agent to answer that question?

MR. JOHN EATON: When there is the question of military necessity arising we may give 10 per cent or we might even give 11 per cent.

The CHAIRMAN: This gentleman is Mr. John Eaton, director of the general purchasing branch.

By Mr. Cleaver:

Q. That might happen in the event of military urgency?—A. It would have to be military urgency when we would do it, sir. We take that into account. Each case is handled on its own merits.

The CHAIRMAN: All below the ceiling price?

The WITNESS: The ceiling only comes in—

By Mr. Cleaver:

Q. There would be no ceiling price tender called for as I understand it, and as much of the contract would be awarded to the lowest tenderer as he could fill?—A. That is correct, sir.

I have just been given a memo on this question of garbage cans. This is to the effect that the requirements of garbage cans have frequently been split up and a number of tenders called from different localities due to the difficulty of the bulk shipping of these cans and the extra cost of freight, etc. Tenders have been split up according to the military districts where they are required.

By Mr. Graham:

Q. Mr. Sheils, would you say that the department on occasion will reject all tenders if they are not in line with the information which you as a department have on relative costs?—A. Quite right, sir.

There is another factor, which causes a contract demand to fall into a category where it is not considered practicable to call for tenders.

The CHAIRMAN: That will be the third one.

The WITNESS: Yes; that factor is the technical nature of the article required, such as guns or gun carriages, tanks, shells, dial sights, technical instruments, etc., where no Canadian manufacturer has ever produced the article. In such cases our plant survey records are of very great value as indicating the contractor who is likely to have most of the machinery needed to produce this article, this gun or shell, and the greatest number of highly skilled workers and technical men. Utilizing these records and the knowledge which our officers themselves have of the plants across the country and the capabilities of the managements therein, a contractor or several contractors may be selected and asked to submit proposals. We frequently have four or five contractors working at the same time on submitting a proposal on let us say a type of shell or fuse or something like that which has never been made before in Canada. These proposals deal in great detail with the machinery and equipment which the contractor would require in order to get into production, and all such proposals are scrutinized with great care by the technical officers of the department. The methods of handling these proposals from contractors, checking them, approving them, and in general handling the contract are practically the same for straight Canadian projects as they are for joint Canadian and United Kingdom projects or for straight United Kingdom projects. I would like to deal with these methods a little later if I may.

By Mr. Cleaver:

Q. What about the inspection, Mr. Chairman, of the delivered goods?—

A. The inspection of the delivered goods is handled by the joint inspection board of the United Kingdom and Canada under General Lock.

By Mr. Harris:

Q. Does the joint board inspect deliveries for Canadian account?—A. Yes.

Q. The joint board?—A. Yes.

The CHAIRMAN: It might interest the committee that General Lock will be called to appear before the committee. He is in charge of the United Kingdom-Canada inspection board and he will appear before the committee.

By Mr. Harris:

Q. He answers to the deputy minister?—A. No, he has a dual responsibility; to the various ministries of the United Kingdom with respect to the inspection of all stores for the United Kingdom; and to the Department of National Defence here with respect to inspection of Canadian purchases. That is a special arrangement between the Canadian and United Kingdom governments. At first our Department of National Defence had its own inspection system quite separate and distinct from that of the United Kingdom, but as we came to the time where more and more we had Canadian goods flowing from the same sources of production as United Kingdom goods it became obvious that it would be economical and desirable to have one inspection staff, and this arrangement was made for a joint inspection board.

Q. And the inspectors are answerable to him?—A. Yes, he handles both the United Kingdom and Canada; he is over the inspectors of both countries. He is in no way responsible to the officials of the Department of Munitions and Supply.

Q. Is he responsible to any person else?—A. I beg your pardon?

Q. Would he be responsible for the personnel of the inspection branch?—A. Yes, he is responsible for the selection and discipline and efficiency of all personnel of the inspection board.

[Mr. G. K. Sheils.]

By Mr. Graham:

Q. Does he come from Canada?—A. He is an Imperial officer, a Major-General in the Imperial Army.

The CHAIRMAN: He will give us full particulars of the functioning of the joint inspection board when he appears before us.

By Mr. Gladstone:

Q. Have you any system of comparing articles being made for the first time in Canada with the price of similar articles that have been made say in the United States or in the Old Country?—A. I know a comparison is made, sir; but as to what particular system is followed, I could not say; that question can readily be answered however by the officer in charge of that branch. I do know that comparisons are made, because I see the figures, and the same thing happens with stores that we are being asked to make for the United Kingdom.

There are other cases from time to time where it is not considered practicable or desirable to call for tenders. An example might be the securing of some very secret type of equipment such as a range finder or fire control instrument, which is extremely secret. In that case one contractor may be called in and the specifications divulged to him in confidence and he may be asked to work out a price, and a deal may then be made with him to produce. In such cases a ceiling price basis is frequently used, or a target price basis, which I will mention later, may be used; that is, if the quantity is very large, say a thousand of some special instrument, we may arrange to work on a target price basis on the first fifty or the first one hundred in order to arrive at a mutually satisfactory price for the balance of the order.

By Mr. Bradette:

Q. For my own information would you mind explaining what you mean by the term "target price"?—A. A target price is, as the name indicates, something to shoot at. In a case where a contractor has never produced an article before and if we have a requirement for say one thousand of a very technical item we may arrange with the contractor after considerable negotiation that a target price may be set on the first 50 at say \$200 each. This target price of \$200 is worked out very carefully in comparison with prices elsewhere, if we can get them, and with the knowledge our officers have as to the cost of the raw materials and the number of man-hours of labour and so forth which will need to go into the production of the article. In this way we arrive at an agreed upon target price of \$200 for the first 50. These 50 are produced and the costs are calculated. If the contractor has produced the first 50 at less than the \$200 target price he is given a bonus of 25 per cent of the difference between his cost and the \$200 target in addition to a set profit figure. This set profit figure is usually figured at 5 per cent on the \$200, but it is not shown as a percentage figure but as a set number of dollars. In this case the contractor would be allowed a \$10 profit. This target of \$200 is supposed to be the cost to him of producing the article. He is given a \$10 profit on that \$200. If he produces the article at less than \$200 he receives a bonus of 25 per cent of the savings between his cost and \$200 in addition to the \$10 profit. If, however, he produces it at a cost in excess of \$200 his profit is reduced, usually by the same percentage of the excess. But the arrangement is made that he will still receive a minimum profit which may be 2 or 3 per cent on the target price of \$200. We do not feel that because of his inexperience in making the article he should be asked to do all this work for absolutely nothing, or with an actual loss; so he is left a small minimum of 2 or 3 per cent of profit. He may sacrifice all the rest of the expected profit if he produces the article at a cost in excess of the target cost of \$200. Does that answer your question?

MR. BRADETTE: Yes.

By Mr. Cleaver:

Q. And then, from that point on, you negotiate a price for the balance of the contract?—A. That is correct, sir.

By the Chairman:

Q. So that the target price is just a basis for negotiations?—A. Yes. Now, if I might refer for a moment to our construction branch.

Q. Have you dealt with all the considerations which guide the department in determining the letting of contracts on a basis other than tender?—A. I think I have covered the four main categories.

Q. They fall into the four main categories which you have mentioned?—A. There may be from time to time other special cases that would come into that category, but they would be few in number. Those four of which I spoke; namely, the placing of a follow-on order so as to get urgent delivery—

Q. That is the first one?—A. The utilization of the entire productive capacity of an industry—

Q. That is the second?—A. The technical nature of the article required, such as guns or shells, and the very secret nature of an article required would comprise the bulk of such cases.

Q. So that in these four classes of cases it is deemed necessary to award the contracts on a basis other than tender?—A. Yes, although in the case of number three, i.e. the technical nature of the article required, we almost have a tender system working, because we get two or three contractors to figure on the proposition of making the gun or gun carriage, and the best proposition is accepted. Now, that best proposition may relate to the fact that contractor A would require \$100,000 worth of special equipment to set him up in business whereas contractor B would require \$200,000. It might relate to delivery where the requirement is very urgent, or it might relate to the price of the finished shell. But it is in effect a restricted tender system, if you like to call it that. It is not an open tender, it is a restricted tender, because in the first place the invitation to tender is not broadcast, it is given to three or four contractors who are brought in because of the fact that we know they can do the job; and then we find out how well they can do the job and at what cost they can do it and the best proposition is accepted after that.

Q. Then, I suppose likewise the functioning of your target price system accomplishes somewhat the same results as in the case of tenders?—A. Yes.

By Mr. Graham:

Q. In connection with this matter of extras, or variations, would you be good enough to place on record the practice followed by your department in the letting of contracts for extras or variations in contracts, particularly in so far as they relate to building contracts?—A. It would largely depend, sir, upon how the construction contract was let in the first place. If the construction contract were let as a result of tenders called for in the regular manner with five or six contractors bidding and the contract being awarded to the lowest tenderer, and then some extras coming up, in some cases it is possible to call for tenders again on the extras. For instance, I have in mind such a matter as an aerodrome where we have a contractor working on buildings and an "extra" requirement might relate to a building some distance away. It might be possible to call for tenders again for that extra building. On the other hand the extra might relate to a modification or an extension of a specific building on which the first contractor is working. Such extras are usually let as a result of negotiation with the contractor. He is brought in and our construction people, who have a pretty good knowledge of these modifications or additions and what they should cost, attempt to

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negotiate and agree upon a price with him for that extra. It is not just handed to him automatically because he happens to be on the job. Often a considerable amount of negotiation takes place.

The CHAIRMAN: I think if you are going to enter upon a new topic, Mr. Sheils, this might be a good place for us to conclude.

The WITNESS: I was just going to finish up this page.

The CHAIRMAN: All right. There seems to be quite a bit there.

The WITNESS: I should like to finish construction projects, if I may.

The CHAIRMAN: All right.

The WITNESS: The reason for referring to the construction projects separately is that the initial move by the Department of National Defence is slightly different than in the case of procurement of hats or caps or boots and shoes. The Department of National Defence send to us a document which is called a "Request for Tender." There is no value shown on this Request for Tender, the reason being that in many cases it is very difficult to make even an approximate estimate as to the cost of the job. This Request for Tender does not indicate that the officers of the Department of National Defence have made up their minds to go on with this job regardless of price. It simply means that they are asking us to ascertain at what price this project could be constructed. We operate on that by calling for tenders just as if we had an actual contract demand from them. When the tenders are received they are referred back to the Department of National Defence with the recommendation of our construction branch as to the contractor whom they feel should receive the contract if it should be decided to go ahead with the project. There is still no commitment that the project will be proceeded with. The Department of National Defence consider those tenders and our recommendation; and if it is then decided that the project is one with which they wish to proceed, they send us at that time a regular contract demand, with the usual financial authorization on it and we proceed to let the contract. The procedure, as you will notice, is slightly different than in the case of procurement of articles of manufacture or articles "off the shelf." Over a period it has been found that this system works very satisfactorily. The Department of National Defence simply ask us to find out what it would cost to do a certain job. We get that information and give it to them. Then they decide whether or not they are going ahead. If they decide to go ahead, there is no time lost in awarding the tenders because we have all the information and we can proceed at once.

The next question that I should like to deal with is the establishment of local purchasing offices in the various military districts. That is rather a lengthy one, but if you wish, I shall go ahead.

The CHAIRMAN: That may be a convenient place to break off. Mr. Sheils has been at it for nearly two hours. Is it the wish of the committee that we meet to-morrow at 4 o'clock?

Mr. MACINNIS: Would it be as convenient to meet in the morning?

Mr. CLEAVER: I understand there is another morning meeting.

The CHAIRMAN: Then it is agreed that we meet to-morrow at 4 o'clock.

The committee adjourned at 5.55 p.m., to meet again on March 20, at 4 p.m.

SESSION 1940-41

HOUSE OF COMMONS

(SPECIAL COMMITTEE)

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, MARCH 20, 1941

WITNESS:

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

THURSDAY, March 20, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, Ross (*Moose Jaw*), Sissons, Thorson.

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, resumed his deposition. The witness further explained the various functions of the Department.

Mr. John Eaton, Director of the Purchasing Branch and Mr. F. M. Covert, Assistant to General Counsel, of the Department of Munitions and Supply were in attendance and supplied answers to certain specific questions.

At the time of adjournment Mr. Sheils was still on the stand.

At 6.10 o'clock p.m., on motion of Mr. Mayhew, the Committee adjourned to sit again to-morrow, Friday, March 21, at 11 o'clock a.m.

ANTOINE CHASSÉ,

Acting Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 368,

March 20th, 1941.

The Special Committee on War Expenditures met this day at 4 o'clock. The Chairman, Mr. J. T. Thorson, presided.

THE CHAIRMAN: Gentlemen, we now have a quorum and I will ask Mr. Sheils to carry on from where he left off yesterday. I think he was dealing with the subject of construction projects. But before he proceeds with what he has to say, there is one question I would like to put to him arising out of what he said on Tuesday, the 18th instant, at page 6 of the evidence, when he spoke of master control insuring that no requisition would be lost, and then later he spoke of the individual purchasing branches having each a specific internal control of that requisition, the purpose being to see that the requisition does not become unduly delayed in its progress. There have been statements made that requisitions have been lost and requisitions have been delayed. I wonder, Mr. Sheils, whether you would be good enough to elaborate what you mean by that master control and the specific internal controls?

G. K. SHEILS, Deputy Minister, Department of Munitions and Supply, recalled.

The WITNESS: Yes, Mr. Chairman, I shall be very glad to do that. When a requisition or contract demand comes to the Department of Munitions and Supply from the Department of National Defence and has been checked by our purchase investigation section to see that it is properly authorized and is a proper document on which we may function, it is given a number and is registered before it goes into a purchasing branch. At that time a form which we call a requisition progress chart is attached to it. I have one of the documents here. It is perforated in six pieces. These six pieces correspond to the stages through which this requisition must pass before it emerges as a final contract and as it passes each of those stages such as, for instance, the first one which reads "tenders were solicited by" and then follows a list of alternatives such as "advertisement, invitation—form M.S. 1, letter, telephone, telegraph"—those are filled in to indicate what means were used to solicit the tenders, and that form is detached and sent back to the office where the requisition register is kept, and it is posted in that register to indicate that this requisition has passed stage one. It then goes through the other stages, and as it passes each successive stage, the corresponding blue slip is detached and sent back. That register is inspected continuously, and if there is any hold up between stage 1 and 2 or between stage 2 and 3 beyond what is known to be reasonable, an investigation is made to see why that requisition is held up. Now, that is what I referred to yesterday as the master control. Within the individual purchasing branch there is a more intimate control in that each such branch has an officer who is responsible for personally following all the requisitions charged to that branch. He does not depend upon the written message; he goes around personally each day and checks up on the requisitions, sees

on whose desk they are, what is being done about them, and if he finds any appear to be disregarded or concerning which action is not being taken quickly enough, he reports to the head of the purchasing branch and that officer investigates to see if the delay is in fact avoidable, and if so the proper action is taken. Does that answer your question, sir?

By the Chairman:

Q. I assume that when you spoke of each of the individual purchasing branches having specific internal control you meant the divisions of the purchasing branch?—A. No, sir. That control is exercised by an officer who is responsible to the head of the purchasing branch, such as the head of the aircraft purchasing branch, or the general purchasing branch, so that he will not be under the authority of any division head. It is really necessary that he be independent of the division head so he can check him up.

The next item to which I wish to refer, gentlemen, is the question of what we term emergency orders. I mentioned yesterday that there were some cases where, in view of the extreme urgency of a demand, we did not wait for Privy Council authority to place the order. That is a matter which was arranged some time ago by the minister. It is kept under very strict control because we realize that we are operating in advance of the Act to that extent. It was arranged between the minister and his colleagues some time ago that in very emergent cases we could operate in this manner. I am quoting now from formal instruction letter 23-A. That instruction letter provides:—

With a view to expediting the handling of certain emergency orders the Minister has given authority to Mr. G. K. Sheils, Deputy Minister, Mr. J. P. Pettigrew, Chief Executive Assistant, and Mr. W. D. Low, Executive Assistant, to sanction the immediate placing of contracts over \$5,000 prior to the obtaining of the necessary order in council.

Then follows about a page of safeguards hedging about these orders and insuring that only the most urgent cases are treated in this manner. When an order is issued on that basis it must contain the following words: "This acceptance"—that is the acceptance of tender which goes out—"... is conditional upon the same being authorized by order in council". Legally, that is not a valid order; the contractor, however, having faith that the department will eventually produce the valid order, will operate on that.

Q. Is that what is known as the go ahead order, or is that a different thing?—A. No, sir, it is a different thing. This is what we term the conditional emergency order.

Q. You spoke of certain safeguards that were contained in the instructions with regard to these emergency orders. Will you enumerate those?—A. The instruction letter reads: "No such orders or contracts may be placed or instructions issued without the approval in writing of one of the above named persons. Approval will be given only when the matter is one of extreme urgency and when the file has been completed and is ready to go to council. To obtain such approval, therefore, the file should be submitted to one of the above named persons, and should contain the following materials: (1) Duly signed report of the deputy minister on which the recommendation to council is based—that is form DMS. 12 of which we spoke yesterday—(2) certification of the head of the purchasing branch as to the urgency of the matter and recommending this special action." None but the most urgent orders are passed on that basis.

By Mr. Marshall:

Q. Could the committee get copies of those instructions to the various departments?—A. Yes, any that are desired I shall be able to have copies made of.

[Mr. G. K. Sheils.]

When an order-in-council has been obtained for an order which was placed conditionally in this manner, the contractor is then advised. "Prior acceptance"—with the number shown on it—"has now been authorized by order-in-council P.C. (blank)"—and that completes the file. In the case of an emergency order placed in the United States, the phrase about an order-in-council is not used, because we discovered that the United States contractors would not operate if they thought there was any authority missing. The Canadian contractors know however that if we place such an order, we have been very careful to see that the order is valid and that the privy council will approve it, and they will commence to operate, and that sometimes saves two or three days of very valuable time—for example we might place one of these orders on a Friday afternoon whereas if we had to wait for privy council authority we might have to wait until Monday.

The next item on my list, gentlemen, is the matter of local purchasing offices. At the request of the Department of National Defence the War Supply Board created local purchasing offices in all military districts from coast to coast. This was done about the end of March of last year and when the Department of Munitions and Supply was set up on April 9 this department automatically took over these local purchasing offices. I might say that these offices are supervised by the two railways. That is, the two railways made available to us free of charge senior supervision of these purchasing offices and space in which to house the offices. The staff under the senior supervisors, of course, are on the payroll of the Department of Munitions and Supply; but the senior purchasing agent of the railway in each military district was made available free of charge to supervise these offices.

These local purchasing offices handle (a) purchases in connection with contract demands for food supplies, which contract demands are raised, approved and forwarded to the Department of Munitions and Supply, Ottawa, as at present, and from there sent to the local purchasing offices—these are the contract demands which we receive from the Ottawa offices of the Department of National Defence, and then send them to our local purchasing offices for action; (b) purchases in connection with contract demands for other commodities, which contract demands may be referred by the Department of Munitions and Supply, Ottawa, to the local purchasing offices; (c) purchases in connection with contract demands or requisitions which may be sent direct to the local purchasing offices by properly authorized local officers of the naval, militia or air services.

We obtained right at the commencement from the Department of National Defence lists of the officers in the various military districts or air commands who are authorized to sign requisitions, and that is what is referred to in item (c):

The receipt and handling of these contract demands; calling for tenders; receipt and tabulation of tenders; selection of successful tenderer and awarding of the contract are all items which are covered in Instruction Letter 12 (A) 2 called "Instructions to Local Purchasing Offices." That is a very detailed letter. The basis of it is that all these safeguards which we have in Ottawa relating to the calling for tenders and the treatment of tenders when received are carried out in the local purchasing offices. Each local purchasing office may not have the exact set-up of the six locked boxes. It may not be necessary for them to have that, because the tenders are not so numerous; but it will have at least one locked receptacle in which these tenders are placed on receipt, and they are not opened until the official closing hour, and every other safeguard is followed.

By Mr. Macdonald:

Q. Have the local offices authority to accept tenders?—A. Oh, yes.

Q. Or do they have to forward them to Ottawa first?—A. No; they can accept them themselves.

Q. In all cases?—A. A tender over \$5,000, of course, must be sent to Ottawa. They send these to Ottawa and we obtain the Privy Council authority.

By Mr. Mayhew:

Q. Suppose both of the railways have a senior purchasing officer in the same district; how do you work it out then?—A. By agreement between the two roads it was decided that the offices would be handled thus: Halifax, C.N.R.; Saint John, C.P.R.; Quebec city, our department maintains its own office because there was no senior purchasing officer of the railway there; Montreal, C.N.R.; Toronto, again we maintain our own office there because that is the largest office serving the largest military district and it was considered essential that we have our own staff there; Winnipeg, C.N.R.; Calgary, C.P.R.; Vancouver, C.P.R.; in Regina where there is no senior railway purchasing agent the purchasing department of the Robert Simpson Company, Western Limited, are operating on a similar basis, supplying senior supervision and space free of charge.

By Mr. Graham:

Q. How are these officers remunerated?—A. We do not pay anything for this senior supervision.

Q. That is a service which is given gratis?—A. Yes, absolutely; we pay for all the staff under the senior man.

Q. It means in some cases undoubtedly quite a bit of work?—A. Yes, some of these offices are quite large and are growing.

By Mr. MacInnis:

Q. How is the staff selected?—A. First recommended by the senior purchasing officer to us and then approved by this department. None can be engaged until we approve.

By Mr. Marshall:

Q. They are not approved by the Civil Service Commission?—A. No.

Q. And are not working under the Civil Service Commission?—A. No.

By Mr. Fournier:

Q. That applies to all of these local offices?—A. Except, as I mentioned, we have our own offices in Quebec city and in Toronto. The staff of these offices is directly on our departmental payroll and is approved by the Civil Service Commission. In the others the staffs are taken on the payroll of the railways and we receive a charge from the railways. It is, of course, essential that we have first approved the engagement of the employee or else we would not be able to approve of the charge each month. We have that control.

By Mr. Mayhew:

Q. Have they had any previous experience in purchasing?—A. The senior supervisor, of course, in every case has had. Wherever possible the assistant staff is selected with purchasing experience. Of course, in the case of stenographers and grade 1 clerks we cannot get much of that experience.

Since the local purchasing offices were set up the Department of National Defence have turned to them more and more for assistance because it was found that they could expedite purchasing. Only recently we were requested

[Mr. G. K. Sheils.]

by the Royal Canadian Air Force to extend this service a little further and at the moment we have five assistant purchasing agents and their small staffs installed right in R.C.A.F. equipment depots at five points across the country.

These assistant purchasing agents operate under the supervision of the local purchasing agent in the nearest city. For instance, in Moncton, New Brunswick, we have an R.C.A.F. depot and an assistant purchasing agent in it. He operates under the supervision of the Halifax office, is it not, Mr. Eaton?

MR. EATON: Yes, sir.

THE WITNESS: The Halifax office. In the other cities there is a local purchasing office in the same city as the R.C.A.F. depot. Within the last few weeks the navy have approached us for similar help and we are now in the process of setting up an assistant purchasing agent in one of the naval stores depot in Halifax. He also will operate under the local purchasing agent in Halifax.

By Mr. Macdonald:

Q. Up to the present the local agent has operated directly there?—A. Yes.

Q. With the navy?—A. Up to the present the local agent has been doing the buying for the navy, but the navy in addition had certain local purchasing authority to which I will refer in a moment, and they found that this was tying up so much of the time of their officers that they asked us if we would take that over by putting our man right in their building.

By Mr. Fournier:

Q. Before you proceed, I should like to ask a question. Do subsections (d) and (e) of subsection (iii) of section 8 of the Act apply to these local agents as they apply to the head office?—A. Subsections (d) and (e) of section 8?

Q. Yes.—A. Yes. Any purchase for over \$5,000 is forwarded to Ottawa and we obtain an order in council for it. There is no relaxing of the safeguards because of this decentralization. It is purely a matter of trying to speed up.

Q. But they will need the minister's approval for any contract below \$5,000. That is subsection (e)?—A. Oh, yes; under subsection (e), the minister may enter into any such proposed contract without authority. The way that is handled is that the minister has power to delegate certain signing authority and he has delegated to certain officers authority to sign contracts for him under \$5,000.

Q. That would be the deputy head—yourself, Mr. Pettigrew, Mr. Low and those gentlemen?—A. No. There are others who are authorized to sign contracts under \$5,000. The emergency signing authority to which I refer is in a case of wishing to place an order over \$5,000, prior to order in council. But where order in council is not necessary, the minister has power to delegate his signing authority and has done so.

Q. Who has that authority right now? Have you the names of those gentlemen?—A. Yes. I have them in my list here. The local purchasing agent at the depot—the senior local purchasing agent—would have authority up to \$5,000. That is right, is it not, Mr. Eaton?

MR. EATON: Yes, that is right.

By Mr. Fournier:

Q. There is a point there that I should like to be clear about. Subsection (e) reads that the minister may enter into such proposed contract without authority from the governor in council?—A. Yes.

Q. Now you say that this power has been delegated to the heads of these local branches?—A. The minister has power to delegate his signing authority in certain specific cases, and has by a document regularly executed delegated that authority in connection with these orders under \$5,000.

By Mr. Diefenbaker:

Q. Under what provision of the statute has he that power?—A. I could not tell you that. I will have to ask our legal counsel about that.

By Mr. Fournier:

Q. You would have to go back to the Interpretation Act. Is that what I understand?—A. Yes. I have been advised that that is the proper procedure, but I could not quote the statute.

By Mr. Mayhew:

Q. What about amounts under \$500? Have not the local offices some authority to purchase orders under \$500?—A. Under \$500?

Q. Yes.—A. The assistant purchasing agents in these R.C.A.F. depots are authorized to make purchases without reference to the local purchasing agent provided the expenditure involved does not exceed \$100. With regard to purchases in excess of \$100, but not exceeding \$300, the assistant purchasing agent in the equipment depot of the air force may make the purchase, but it must be approved by the local purchasing agent. Purchases exceeding \$300 are to be dealt with as directed by the purchasing agent; that is, the local purchasing agent. In all the last two cases the confirming order must be issued by him. \$300 is the limit in these assistant purchasing agents' offices across the country.

Q. That is a change, is it not, from the regulations of a year ago? Was it not \$500, at one time?—A. No. These offices have only been set up for a few months. Possibly what you are thinking of is that the various officers of the Department of National Defence have local purchasing authorities, some of them limited at \$500. Possibly that is what you are thinking of.

Q. Possibly so.—A. I will give you that in just a second. I have it here. Under section 7 of the Munitions and Supply Act it is stated that the minister has exclusive purchasing authority with certain exceptions, one of which is contained in subsection (iii) which reads:—

(iii) such munitions of war or supplies as, for reasons of practicality or otherwise, the minister or deputy minister, at the instance of or with the approval of the Minister of National Defence, may request the Department of National Defence, by either a specific or general request, to procure, purchase or acquire.

Acting under that authority we have given what we term local purchasing authority to a number of officers in the Department of National Defence. That is covered by this instruction letter 12-1. It sets up for example, that, in the naval service, the chief of the naval staff at any port may buy up to \$1,000, on his own initiative; the engineer-in-chief, \$500; naval store officer at dockyards, on authority of dockyard superintendent, \$1,000; local control officers and commanding officers of R.C.N.V.R. for repairs of urgent nature, \$50. Then follows a long list of other officers of the army and air force, each of whom have local purchasing authority for urgent purchases. I think possibly the \$500, which you are thinking of is in that.

Q. Are they at liberty to repeat those orders as frequently as they wish?—A. No. In most cases a maximum monthly expenditure is provided. Here is the officer commanding R.C.A.S.C., \$250, maximum amount per order; maximum monthly expenditure, \$1,250. In most cases there is a maximum monthly expenditure as well as a maximum amount per order. All these purchases are reported to us by the Department of National Defence periodically—I do not recall now whether it is every month or every three months—but we get a report from the Department of National Defence of all purchases which have been made by their officers under this authority. As soon as we set up our local purchasing offices—

[Mr. G. K. Sheils.]

By the Chairman:

Q. Have the military officers any purchasing power apart from the provisions of section 7, subsection (iii) that you have quoted?—A. Their purchasing power rests in this agreement which we have made with them and have covered by this Construction Letter; other than that, they have only such power as we may delegate by specific request. This is what would be termed a general request.

Q. Quite.—A. We may from time to time receive a request from the Minister or Deputy Minister of National Defence for authority to purchase, let us say, \$1,000 worth of office equipment for a headquarters building in England. We would give that authority because we have no purchasing branch in England to handle it ourselves.

Q. But the Department of National Defence itself has no power to confer purchasing authority upon, let us say, a district officer commanding a military district?—A. No, not without the concurrence of the minister of our department.

Q. Not without the concurrence of the Minister of Munitions and Supply?—A. That is right. That is the way we interpret that Act.

By Mr. Fournier:

Q. I should like to get this clear in my mind. Section 7 gives exclusive authority to the minister for these purchases. That is the first part of the section?—A. Yes.

Q. Now you state that this power is delegated in certain cases to the heads of these local branches who are your employees?—A. Yes, sir.

Q. Under subsection (iii) of that section 7?—A. No, not under that. We do not delegate this power under that subsection. That is the subsection under which we delegate power to officers of the Department of National Defence to purchase.

Q. Where will I find that section whereby you have power to delegate those powers?—A. I believe some of the legal gentlemen will answer that.

The CHAIRMAN: I understand that counsel says it is derived from the provisions of the Interpretation Act, but I have asked him to check that point up.

By Mr. Diefenbaker:

Q. Is there any provision made for it under the regulations that are passed by the governor in council under section 21? Section 21, subsection (a) reads:

“to provide for the proper and efficient organization and administration of the department:”

The CHAIRMAN: I have asked Mr. Covert to check up that point.

Mr. DIEFENBAKER: Mr. Chairman, would you also ask him to provide us with copies of the regulations passed under section 21 so that we will have the complete picture?

The CHAIRMAN: Mr. Covert is not sure that there are any, but perhaps Mr. Covert will check up the regulations as well.

By Mr. MacDonald:

Q. Following up your question of a moment ago, Mr. Chairman, as to the authority of the military and naval commands themselves to place orders directly, I understand that prior to this arrangement being made with the Department of Munitions and Supply, or prior to the setting up of the local officers all purchases were made directly by the naval and military authorities themselves?—A. The same system was in effect, sir. We had delegated to those local officers of the Department of National Defence the authority to purchase,

but the amounts were larger than they are now. Because of the fact that we had no local branch it might be necessary, for instance, for a supply and transport officer at Toronto to buy four or five thousand dollars worth of foodstuffs. If something had gone wrong with the supply of foodstuffs, or some contractor had fallen down, this local supply and transport officer might have to function.

Q. Before your department was set up, the navy would have its own naval stores officer?—A. Before our department was set up at all?

Q. Yes, before it was set up at all.—A. I could not answer that.

Q. You do not know?—A. I presume they did their own buying.

Q. But you do not know the practice that was followed before?—A. No. From the time our department was set up they operated under the delegated authority from us. Since we established the local purchasing offices we have cut down their authority because it was not needed. With the latest extension of our purchasing into the R.C.A.F. depots and the naval stores that authority has again been cut. With each extension of our function the need for their authority diminishes.

Q. There is one other question I should like to ask before we leave this subject, and that is as to the practice followed by these local purchasing offices. Do they in every case invite tenders for the sale of any foodstuffs or commodities which they may desire to purchase?—A. The instructions are very clear on that point, sir. I would just like to read you this 12 (A) 2—Instructions to Local Purchasing Offices. It starts in with contract demands, and recites that these contract demands will come forward from various sources. "Requisitions received from the Department of Munitions and Supply at Ottawa will be the local purchasing agent's authority for making all contracts. These requisitions usually cover estimated requirements of foodstuffs over a given period of three, four, or six months for one supply depot."

"Standard specifications will be supplied to the local purchasing agents for all items on standard ration list."

"Mailing lists: lists of firms at present being given the opportunity of tendering will be supplied to the local purchasing agent." When we set up the offices, Ottawa had these lists and we handed them out. "These may be modified or added to as may be considered desirable by him. It should be kept in mind that the department is required to give all those who are desirous of tendering the opportunity of doing so, provided always that it is considered they are capable of supplying our requirements satisfactorily. Our contracts must be with manufacturers or merchants and not with commission agents or middlemen."

Q. By which?—A. Not with commission agents or middlemen.

Q. As I understand it, if you are inviting tenders from manufacturers, you will not accept a tender from a jobber even if his tender might conceivably be lower?—A. I cannot visualize it being lower unless there is no possibility of getting the article from the manufacturer. There might be some jobber in this country who had a monopoly on some line.

Sealed tenders are used. Late tenders are dealt with as before. As to the acceptance of tenders, all the safeguards which apply to the Ottawa purchases are extended to and used by the branches.

By Mr. Diefenbaker:

Q. To what extent are these instructions departed from? You have mentioned specifically that instructions are given to the effect that tenders should be invited?—A. I do not think they are departed from very much, sir, because we have men who go around to these local purchasing offices and check them up. Within the last few months all the local purchasing offices have been inspected by a man who has been in the department from the start, who

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assisted in drawing up these instructions and knows how they should be carried out in spirit and in letter. He went around to every branch for the express purpose of seeing how they were carrying out the instructions.

Q. What was the result of his finding and examination?—A. I do not think he found any cases where they were departing from the instructions in any material sense, did he, Mr. Eaton?

Mr. EATON: No, sir. He inspected these branches very thoroughly, and his report was that he found the rules were being carried out to the letter. He was out there several months ago.

By Mr. Marshall:

Q. Can you give us the name of that man and what his qualifications are?

—A. Mr. W. E. Wilford.

Q. Is he a member of the staff?—A. Yes—he is a senior purchasing agent of the railway. He is a purchasing agent of how many years' standing, Mr. Eaton?

Mr. EATON: Thirty-five years' standing.

The WITNESS: With the C.P.R.?

Mr. EATON: Canadian Pacific Railway.

The WITNESS: During the last war he functioned in a similar manner in purchasing foodstuffs and other supplies for the Department of National Defence.

By Mr. Marshall:

Q. He inspected the western agencies?—A. He went through them all.

By the Chairman:

Q. All the western agencies?—A. All the agencies.

By Mr. Marshall:

Q. Except the one he has charge of himself?—A. Yes.

Q. He is in charge of Toronto?—A. Yes. I know that the Toronto office is functioning according to schedule because I have gone in myself and asked them questions on many points, and have inspected their receptacles for tenders, and so forth.

Mr. MARSHALL: Would it be difficult for the members of the committee to get copies of these instructions?

The CHAIRMAN: No, I do not think there would be any difficulty involved.

The WITNESS: No. We could have additional copies run off, sir. They are multigraphed forms. It merely means cutting a stencil and running some off.

Mr. MARSHALL: I think it would enable me to get a clearer picture of the operations of these local purchasing offices.

The CHAIRMAN: Mr. Sheils has referred from time to time in the course of his presentation to us to these various departmental instructions, and I do not think there would be any difficulty in providing members of the committee with copies of these departmental instructions to which he refers from time to time.

By Mr. Mayhew:

Q. May I ask is it customary for the department to solicit tenders from subsidiary companies, where there is a parent company and probably a subsidiary or two subsidiaries operating in the same district?—A. Yes, I think that is done. In fact, I have seen tenders where the purchasing agent has made a notation that tenders 1 and 2 are from a parent and a subsidiary. In most

cases he makes such a comment, because the price quoted is the same by the two companies. I think he makes that comment also in order to show that he is acquainted with the fact that this is a subsidiary.

Mr. GRAHAM: Mr. Chairman, may I suggest that it might be wise for you to consider, for the benefit of posterity, how the list of exhibits that undoubtedly will be filed with the committee should be handled. I think we could start in with certain documents, and make up our files.

The CHAIRMAN: Mr. Sheils has referred already to several departmental instructions. We can easily—

Mr. GRAHAM: As they are presented.

The CHAIRMAN: We can easily record those as exhibits. I do not think we need necessarily print them into the record, but we can keep a record of them as exhibits.

Mr. GRAHAM: That is fine.

The CHAIRMAN: I shall number them as they are received from time to time.

The WITNESS: It might assist you, sir, if I say that in preparing my notes I have given exhibit numbers to these various instruction letters which I have read. They do not coincide with the letter numbers but they do follow the sequence of my talk.

The CHAIRMAN: We can check with the ones that you have referred to and then we can make a record of each one of them as an exhibit in a proper sequence.

The WITNESS: If those are all the questions on that score, I propose to deal now with what I have termed certain additional checks and safeguards on purchasing.

In the first day's discussion I dealt with the handling of tenders; mention was made of the steps taken to see that no tender could be lost, and that no purchasing agent could award a contract to other than the lowest tenderer without fully justifying his action before his superior officers. Also I mentioned the limitations of the various grades of superior officers in respect of what contracts they could approve, carrying it up to the deputy minister and to the minister and to the Privy Council.

There are a number of further safeguards which I should like to mention. One is the purchase investigation division. I referred to that briefly yesterday. It is the duty of the purchase investigation division to review all submissions for Privy Council authority for purchase contracts for amounts over \$5,000; to check such submissions and see that the statements contained therein are in accordance with the facts and that the necessary supporting papers and documents are on the file. The files are scrutinized to ensure that the following factors have governed the purchase: where tenders have been received, to see that, all things being equal, the low tenderer is recommended for acceptance. When two or more firms quote equally low prices among those tendering, and there is no evidence of a cartel, it is the duty of the purchase investigator to see that a fair distribution consistent with ability to supply within the required time is made. In the event of the low tenderer not being recommended it is the duty of the purchase investigator to see that there is a good and valid reason for placing the contract with other than the low tenderer. Where there is competition, to see that all avenues of supply have been investigated. Where, for military urgency or other satisfactory reason, a repeat order is recommended, investigation is made to see if there had been competition on the previous order, and if the previous order was placed within a reasonable time of the repeat order recommended; also, in case of a repeat order that negotiations have been carried out by the purchasing agent of the division with the company concerned

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in an effort to secure a reduction in price. That deals with the "follow-on" orders which were referred to yesterday, sir. Where it is recommended that contracts be placed where there is no competition, or to other than the lowest tenderer, or where only two firms have been asked to quote and have quoted, the recommendations are required to be approved by the executive assistant to the minister. In such instances it is the duty of the purchase investigator to appear before a committee, composed of the executive assistants to the minister, of which one is chairman, the director general of the branch and the director of purchasing, to give or to secure whatever information is considered necessary by the committee before such submissions are approved by the chairman. This committee meets daily at 11.30 a.m.

A great many of our contracts provide for a government audit to assure that excessive profits are not made. In the following instances, if no provision is made in the contract for an audit—that is, when the contract is sent up by the purchasing division—

By Mr. Macdonald:

Q. Is this applicable to both purchases of supplies and also to construction contracts?—A. Yes. If no provision is made in the contract for an audit, the purchasing investigator discusses with the committee the advisability of the inclusion of an audit clause in any contract falling within any of the following categories (a) a proposed contractor is selected; (b) an only tenderer; (c) there is evidence of a price agreement; (d) where there is no means of determining a fair price, due to new manufacture. The purchase investigator recommends to the committee the inclusion of an audit clause in any contracts like these. Of course, in most cases the purchasing division would itself recommend such an audit clause; but if they fail to do so themselves it is, I think, always caught by the purchase investigation division and by the committee of the executive assistants to the minister who function with that division on such matters.

Another safeguard which I have referred to briefly is the target price and the cost audit related thereto. I gave the committee yesterday a description of the target price. I have an exhibit here showing exactly how that works.

The next safeguard to which I have already referred is the ceiling price and an audit. That plan might be used in cases where the article is a new one in the Canadian economy. It may be that we have not found anyone who has ever manufactured a certain article before. We discuss with him what price might be reasonable and we ask him to submit his price. That price may be accepted as a ceiling price and a clause may be written into the contract providing that our cost accounting section—when I say "our" I mean the government's cost accounting section—will audit his books, ascertain the cost of production, and he will receive a certain percentage of profit on that cost, provided always that he keeps below the ceiling price. If his cost should happen to turn out higher than the ceiling, the ceiling is not raised, but if the cost should happen to be 15 or 20 per cent lower than the ceiling and the agreement has been that he shall receive only 5 per cent, the ceiling is lowered so that he gets only 5 per cent.

Another clause used on a number of contracts is termed the "fair and reasonable profit" clause. That, again, is based on a cost audit; and it is stated in the clause that the contractor shall receive such profit over cost as the minister with the approval of the governor in council may deem fair and reasonable.

Another type of contract is the cost-plus a fixed fee one; based on again a cost audit; the cost accountants go in and determine the cost, and the arrangement is something like this, that for each article produced the contractor will receive a fee of \$100 if it is a large gun or something like that, scaled down, of

course, in proportion to the estimated cost. We try to work these fixed fees at around $2\frac{1}{2}$ or 3 per cent of the estimated cost of the article. In some cases such a fixed fee contract provides that parts, if it is an article with a lot of parts in it, will be produced without any fixed fee to the contractor, in accordance with the schedule of parts called for in the contract. He receives the fixed fee only on the master article.

Another type of contract is cost plus a management fee. This management fee is not necessarily related to the unit produced; it may be that the contractor will operate a plant on an annual management fee; subject, of course, to all the safeguards which our legal department can work out and put in the contracts so that His Majesty is protected. This again is a case where cost as determined by an audit is the basis of the remuneration to the contractor, with the exception of course of the fixed fee. Another type of contract which was used to some extent at the very beginning, which we have kept away from as much as possible since then, is the cost plus a percentage of the cost, based on audit. That is what I believe is usually termed a cost-plus contract. I think that is what most people have in mind when they say cost-plus contract; and, as I say, there are very few of these in use in our department at the present time, because we have found that we can work almost any deal into one or the other categories which I have recited. Then, overriding all these controls, is the order in council system to which I referred both yesterday and the preceding day, where a very detailed analysis of the transaction must be made by the purchasing agent, signed by the head of the purchasing branch, signed by the purchase investigator, signed by the executive assistant to the minister if the contract is to go to other than the lowest tenderer, signed by the deputy minister, signed by the minister, and finally approved by the Privy Council.

By Mr. Chairman:

Q. The privy council have a committee, have they not, that checks these?—

A. The privy council has a subcommittee which meets at 4 o'clock in the afternoon and which makes a preliminary check on these submissions of our, and then they go to the privy council as a whole for final approval.

I have mentioned on several occasions the cost accounting section. I think it might be of interest to the members to know how this section functions.

By Mr. Mayhew:

Q. Before you go into that, in what way do you check to see that the goods you ordered are delivered; both as to quality and quantity, at their final destination?—A. We do not perform that function, sir; that is done by what is known as the inspection board of the United Kingdom and Canada who operate quite independently of our department. They represent the fighting services, who use or consume the goods, and they receive and inspect these goods for them. We have never inspected.

Q. Well, just recently a statement was made in Vancouver that you were purchasing steer beef but you got cow beef, how does that happen?—A. The only way that could happen would be by an error, or some other slip-up, on the part of the inspectors in the fighting service which was receiving the goods. Our department does not in any case inspect the goods being delivered, that is done by the department that is going to consume them, or wear them or use them.

Q. I realize that, Mr. Sheils; but I understood you to say that a copy of the order would go to the place where the goods were to be received?—A. Oh, absolutely.

Q. So that they would have a chance of knowing definitely what was ordered and what was paid for?—A. Absolutely. I covered that yesterday in

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great detail in the section dealing with the distribution of copies of the acceptances of tenders. A copy goes to all the sections which have any interest in the transaction, and the actual goods, when received, can be checked against it.

By the Chairman:

Q. And the joint inspection board would have full particulars of the specifications?—A. Oh, yes.

Q. On all your contracts?—A. Yes. The specifications are prepared by the Department of National Defence concerned, and are known to the inspection people, naturally.

Q. It might just as well be clear that the Department of Munitions and Supply now makes no inspection?—A. No, sir.

Q. The inspection function is performed by the inspection board of the United Kingdom and Canada?—A. Yes, we never have made inspections.

The CHAIRMAN: And I pointed out yesterday that Major General Lock, who heads the United Kingdom-Canada inspection board, will appear before us later and tell us in detail how that board is functioning.

By Mr. Black:

Q. Just following up Mr. Mayhew's enquiry, I would like to ask Mr. Sheils what responsibility he and those associated with him have if there is such an occurrence as a wrong article having been provided, a cheaper article provided in substitution of what should have been provided, and it comes to the attention of the department; whose responsibility is it to correct that or see that restitution is made?—A. It is in the first instance the responsibility of the Department of National Defence and the inspection service to see that they do not accept such an article or that if they accept it a reduction in price is made. If it becomes a case of negotiating a reduction in price with the contractor they come to us for co-operation and we work with them in trying to establish what would be a fair price for the article delivered. But if it is a straight case of rejection we do not enter into the picture.

By Mr. MacInnis:

Q. The responsibility of the Department of Munitions and Supply ends when the contract is made, does it not?—A. Not quite, sir; we have a responsibility for following up to see that the delivery is made on time, and it ends at that point.

By Mr. Diefenbaker:

Q. But no responsibility as to quality, or as to conformity with a contract?—A. Not as to conformity with specifications, or quality, or anything like that, that is entirely up to the inspection people.

By the Chairman:

Q. That is one of the functions which is discharged by this inspection board, as I understand it?—A. The Department of National Defence write the specifications and they and the inspection staff know the specifications and it is up to them to see that the goods are delivered according to specifications.

By Mr. Diefenbaker:

Q. You have told us of the safeguards that are set up by the department in order to ensure proper conformity with the contract, and with respect to the wording of the contract; you have told us all your safeguards, haven't you?—A. Yes, I have tried to.

Q. Yes. Have you any suggestions to offer as to what better safeguards could be set up than those already existing; because, after all, that is one of the purposes of our being here?—A. I do not think that I have to-day, but I hope that I will have next month or the month after. I hope that I will be working out and that our officers will be working out something new every month to improve our system. A great many of our controls which we have set out in this instruction book did not originate at the time the department was set up, we have put them in since, and we revise some instruction letter or other in this book every few weeks. I feel quite sure that within the next six months we will have several other improvements; but I do not know of any to-day. If I did, we would be putting them into operation at once.

Q. Now, have you as a department built upon the experience of United Kingdom departments of supply?—A. Yes, we have.

Q. Have you accepted the various safeguards that characterize the work of the departments in England?—A. I do not know that we have accepted everything they do, I do not think we have; but we have accepted a number of things which they do. For instance, they are very keen on this target price system in England, and while target prices have been known in Canada in the commercial world for many years I do not think they were used extensively in government purchasing; I say, I do not think they were, I would not want to make that as a categorical statement. But that is one of the safeguards which the ministries in England are very keen on and which we have taken over; and other safeguards which they know of we have used. We had for a time in Canada the British Supply Board, this was in existence until August 31st of last year. They had some very clever contract officers here and we learned all we could from them as to their policies and safeguards.

Q. Now, Mr. Sheils, have you got a list of the various safeguards adopted by the Department of Munitions and Supply in England?—A. No, I do not think I have any specific list.

Q. You referred to these target prices. To what extent have you made them applicable to the contracts which your department has awarded in recent months; could you give us any idea as to percentage?—A. No, I could not give you the percentage.

Q. You will be able to give us that later on?—A. Target prices are used on a number of very important contracts, but as I explained yesterday, they are used only in the initial stages of the contract, for the first 50 or 100 articles, and then from our experience with that quantity we negotiate and a fixed price is arrived at. We try in all possible cases to arrive at a fixed price in a contract, and it is only when we cannot satisfy our consciences that a fixed price is likely to be a fair and reasonable and a low enough price that we adopt these other expedients of targets, ceilings and so on.

By Mr. Mayhew:

Q. Do you think it would be of any advantage to have the inspection branch under your department to complete the whole transaction?—A. No, sir, I do not. I think that probably would breed trouble with the department who have to use or wear or consume the goods. I think it would be just human nature for that to happen. I am not saying that as any reflection on the Department of National Defence, but when what I am doing is buying an article for you and you are going to use the article but you have to take my word for it that it is all right, you will look at it with a rather critical eye, I suggest.

[Mr. G. K. Sheils.]

By Mr. Graham:

Q. Let me get this clear, please. The United Kingdom-Canada inspection board does all the inspection for both Canada and the United Kingdom?—A. Yes.

Q. Both in Canada and in the United States?—A. Yes.

Q. In answer to Mr. Mayhew's question you said that the responsibility in such cases as he mentioned would be on the Department of National Defence; I think you said, the armed services to whom the goods were being supplied. Is there an agent of that joint inspection board in the department of defence at points such as that?—A. Inspection staffs are stationed in the various ordnance stores across the country, according to my understanding of the work of the inspection board which operates under the supervision of General Lock.

Q. Yes?—A. Now, I may be wrong in some instances on that; there might be some small divisions or depots of the Services where they are operating independently of the inspection board. I would not want to be taken as making that a hundred per cent statement, but that is my understanding; that these inspection officers operate under his jurisdiction.

Q. That is the rule, and if there were cases otherwise they would be the exceptions to the rule?—A. Yes.

By the Chairman:

Q. Would the primary purpose of the United Kingdom-Canada inspection board be to certify that the goods supplied as a result of contract made by your department are fit for the use of the fighting services?—A. Well, that they come up to the specifications, sir, in every instance.

Q. It was thought desirable that an independent body not connected with the Department of Munitions and Supply should perform that certifying function?—A. Yes. That was the theory from the start, sir.

By Mr. Gladstone:

Q. The United Kingdom-Canada inspection board is a comparatively recent organization, I believe?—A. Yes.

Q. That is, some time ago it was the Department of National Defence which handled the inspection?—A. Yes. I think the inspection board as we now know it, has not been in existence for more than—what would you say, Mr. Eaton—three or four months?

MR. EATON: Not any more than that. It is quite recent.

THE WITNESS: Prior to that, the Department of National Defence had their own inspectors. I think part of the logic for setting up this inspection board was this: we would have a plant which would be producing goods for the Canadian Department of National Defence and producing similar goods for the United Kingdom, and under the old set-up it would be necessary to have two inspectors in that plant. Now one man operating under General Lock can do it all.

By the Chairman:

Q. It was set up for the purpose of avoiding duplication of inspection when manufacturers were producing both for Canadian account and for British account?

MR. GLADSTONE: And for other parts of the commonwealth.

THE CHAIRMAN: Yes, and for other parts of the commonwealth.

THE WITNESS: I am making that statement based on my own reasoning.

By the Chairman:

Q. Exactly.—A. Because, not being concerned with the inspection services, I do not know whether there are other reasons underlying this move.

Q. Perhaps this might all be taken subject to what Major General Lock will tell us in detail as to the functions of this joint inspection board and the circumstances which brought about its formation?—A. I wish you would do that.

Q. Major General Lock will appear before the committee as soon as possible.

By Mr. Golding:

Q. I should like to ask Mr. Sheils this question. To your knowledge, have there been many cases where the inspection board have found trouble in that goods brought to them for their inspection were not up to the specifications and requirements?—A. No, sir; not to our knowledge.

Q. Not to your knowledge?—A. If some contractor delivers goods which are not up to specifications, we generally hear about it through the Department of National Defence or through the inspection board. The information is passed on to us with the thought that in dealing with that contractor again, we would be on our guard.

Q. Have you had any representations made up till now complaining of that?—A. Yes. We have had a few instances. I do not recall any since the inspection board was set up, but we had a few instances from the inspectors of the Department of National Defence which indicated that some contractor was not living up to the specifications one hundred per cent. We recorded that on our files for future dealings with those contractors.

Q. That matter can all be dealt with when the inspection board is here.

By Mr. Fournier:

Q. Is that inspection of these goods made right at the factory? Are those inspections made right there?—A. Not in all cases, sir. In the cases of shells, guns and items like that, it is almost a continual process of inspection right from the start of the operations in the factory; and in the case of cloth, inspectors are right in the mills. But in the case of, let us say, a delivery of mess tins or a purchase of hat badges or something like that, I think the inspection is made at the ordnance stores.

By the Chairman:

Q. Similarly in small arms plants, the inspectors are in the plants?—A. In the plants all the time, yes.

By Mr. Golding:

Q. Have you had any trouble with respect to boots and shoes?—A. I think the inspector is in the plant there also.

Mr. EATON: Right in the plant, yes. Any shoes that are thrown out, are thrown out right there on the job. They are on the job all the time, a man in every plant.

By Mr. Golding:

Q. We hear stories sometimes, so we want to get that cleared up.—A. Yes. I think those questions could be answered more definitely by the inspection people.

Mr. EATON: Yes. That man reports to Major General Lock now. Gerry Slater is chief inspector reporting to General Lock.

[Mr. G. K. Sheils.]

The WITNESS: May I touch on the cost accounting section now, gentlemen? This cost accounting section was originally organized by us when we were the War Supply Board. It was found, however, that if we as the War Supply Board or even as the Department of Munitions and Supply, as we now are, audited a contractor's books, the Comptroller of the Treasury had a statutory responsibility also with respect to auditing that contractor's books; and behind that again the Auditor General of Canada had a permissive power of auditing the books. So that one could visualize a manufacturer being subjected to three different audits on the one contract. It was realized that that would be an impossible situation, so meetings were held at once with the Comptroller of the Treasury and the Auditor General of Canada. As a result an arrangement was made whereby this cost accounting section would be placed definitely under the control of the Comptroller of the Treasury, and that the Auditor General and our department would accept the audits produced by the Comptroller's men. This system has worked out very satisfactorily from the point of view of our department. The Comptroller of the Treasury will be able to tell you whether or not he is satisfied with it, and the Auditor General likewise. But from our point of view it has been most satisfactory. Those men have carried the prestige of the Comptroller of the Treasury when they went into the plants. The contractor has not looked upon them as being an instrument of our department. They are more impartial;—that is, the contractor looks upon them as being more impartial—because they are not our employees, although they are employees of the government. I just wanted to stress this point that when I speak of cost audits and having a cost audit as a safeguard, I am not speaking of a cost audit conducted by an employee of our department, who might presumably therefore be subject to instruction by us. He is an employee of the Comptroller of the Treasury and carries all the prestige which that give him.

By the Chairman:

Q. That is, the whole cost accounting section that you are speaking of is seconded to your department from the Comptroller of the Treasury and is under the Comptroller of the Treasury completely?—A. Oh yes. It is under him absolutely. The men are engaged by him, and they are under his discipline and control throughout.

By Mr. Fournier:

Q. Your department takes those figures? They accept those audits from the Comptroller's office?—A. Yes. The men in that group have been selected very carefully. I think that the Comptroller has taken care each time to see that the man being selected was a man whom we would whole-heartedly endorse; and we have never had the slightest trouble with their efficiency and the manner in which these men have carried out their duties. It has been very satisfactory from our point of view. We have issued an instruction letter, number 31. This was issued only a short time ago to make clear the division of duties between the cost accounting section and the negotiating officers or purchasing officers of our department. We found that, to some of the new executives whom we are adding to our department all the time, many of them who have been accustomed to running their own businesses, it seemed a bit strange to have a cost accounting section not under the control of the department. So it was considered advisable to issue a memorandum setting out clearly why this cost accounting section was under the Comptroller, and making it very clear that it was the function of that section to ascertain the facts of the case and it was the function of our officers to use these facts. That is, our officers do not interfere in the calculation of a cost in a manufacturer's plant, nor does the cost accounting section attempt to dictate what use shall be made of that cost; that is, whether five per cent profit or three per cent shall be given to the contractor. The division of duties is very clear cut.

By Mr. Graham:

Q. Mr. Sheils, are those men who are used in the actual cost audit all employees of the Dominion Government?—A. Yes.

Q. There is no auditing done by a firm of auditors under a contractual relationship?—A. Not now, sir.

Q. Not now?—A. No. About a year ago we employed a firm of auditors on a rush job in the textile industry, because at that time this cost accounting section had not been set up, and we had a serious problem on our hands in the textile industry. It was necessary to determine the cost of cloth being produced in order that contractors could get paid. Another tremendous order had been passed over to us by the Department of National Defence to be placed, and we had to determine the costs on the first order as quickly as possible; we went out and secured the services of a firm of auditors, but their figures were reviewed by the Comptroller of the Treasury and by the Auditor General before acceptance.

Q. I am glad to hear that.—A. Under the present set-up, however, we do not employ anyone except this cost accounting section.

Q. By the way, are they permanent employees?—A. No, sir.

Q. They are not?—A. No. I say that with respect to the majority of them. There might be one or two who are permanent. I would suggest that that question be asked of the Comptroller of the Treasury when he appears before the Committee because I am not certain of that. I know the majority of them are temporary.

By Mr. Abbott:

Q. They are full-time employees?—A. Yes.

The CHAIRMAN: I may say that the Comptroller of the Treasury will also be before the committee just as soon as possible.

The WITNESS: There are two other sections of purchasing to which I might refer. While small in quantity they are troublesome in handling. They are the sections with regard to purchasing in the United States and purchasing in the United Kingdom. We have set up in our department what we term the United States purchases branch. That has been placed directly under the control of the deputy minister's office because of the fact that it has contacts not only with all the other purchasing branches but with treasury officials, the liaison offices in Washington and New York, and very wide ramifications which do not apply in most of the other purchasing branches. There is an instruction letter here dealing with the operation of that branch, funnelling through that branch all purchasing in the United States. Even an inquiry being addressed to the United States has to be handled with great care these days. If the contract is over a certain size—I think it is \$150,000—no contractor in the United States will pay any attention to you unless you have secured from Washington what is known as a P.N.R.—Permission to Negotiate Report. We must get that clearance from Washington before we can talk business to a contractor on a contract of that size.

Various other restrictions are in force, and it was felt that to ask each of our regular purchasing branches to go through all these formalities every time they wanted to place a contract in the United States would slow up the work; so we established this United States purchases branch, which has become quite expert in obtaining these various permissions and in expediting the delivery of the articles.

By the Chairman:

Q. You have a detailed general instruction with regard to that?—A. Yes, I have a two-page instruction letter which we issued in February of this year to crystallize everything that had gone before and bring it right up to date.

The purchasing in the United Kingdom—

[Mr. G. K. Sheils.]

The CHAIRMAN: May I interrupt you for a moment? Notices have to go out if we are to call a meeting for to-morrow. What is your wish as to a meeting to-morrow at 11 o'clock or at 4 o'clock?

Mr. GOLDING: Eleven o'clock, Mr. Chairman.

Mr. BLACK: I think it would be better to meet when the house is not sitting.

The CHAIRMAN: Would 11 o'clock meet with your convenience, Mr. Sheils?

The WITNESS: I have been holding 11 o'clock or the afternoon open, whichever you like.

The CHAIRMAN: Then, what is your wish in the matter, gentlemen?

Mr. MAYHEW: Eleven o'clock, Mr. Chairman.

The CHAIRMAN: It is agreed that we shall meet to-morrow at 11 a.m.

The WITNESS: At present purchasing from the United Kingdom must be done through our liaison officer in London.

By the Chairman:

Q. You are now speaking of Canadian purchases made in the United Kingdom?—A. Exactly; articles which we may require and which are not produced in Canada and which can be secured from the United Kingdom. These orders must be placed through our liaison officer in London who deals direct with the ministry concerned.

No further buying can be done direct from United Kingdom manufacturers—that is, direct from us to them—because the various ministries in England have the capacities of these plants producing war requirements so controlled that we could not get delivery. We could scarcely get an order accepted. So that for some months we have been dealing direct with our liaison officer who deals with the ministries concerned, and they secure the priorities for us so that our requirements are filled.

It will be appreciated that both in the case of United States orders and United Kingdom orders it would be very difficult to apply certain of our safeguards, such as cost audits, etc. That is quite out of the question in connection with United States contracts, and almost equally so in Great Britain due to the urgency and due to the fact that the contractors are so tied up.

We secure from Great Britain, of course, the same price which the British manufacturer charges his government. If an item is taken out of government stores in England and shipped to us, there may be a small handling charge of some kind added, but generally speaking if we get the ministry to place an order for us we are assured that we will receive the same price as they pay.

By Mr. Graham:

Q. Is it possible at all to use the tender system in the United States?—A. In a modified form, yes, sir. The British Purchasing Commission—

The CHAIRMAN: No; the United States.

The WITNESS: Yes, sir. We place our requirements with the British Purchasing Commission which in the United States occupies the same position as we do in Canada, in that all requirements for the United Kingdom and the British Commonwealth of Nations are funnelled through them, and they make inquiries from a number of firms and secure the best possible price.

By the Chairman:

Q. So that in the United States the British Purchasing Commission acts as the agent of the Department of Munitions and Supply?—A. That is right, sir.

Q. In respect of purchases made in the United States?—A. Yes. And we, of course, act as their agent for anything they wish to buy in Canada. They occasionally place orders up here for United Kingdom account, and we act as their agent for them.

By Mr. Marshall:

Q. Mr. Chairman, on page 4 of the evidence Mr. Sheils stated:

“This liaison office has been extremely busy of late because of the very sensitive situation on priorities in the United States.”

I wonder if Mr. Sheils would amplify the meaning of the term “priority”?—A. Yes, sir. I have an exhibit on priorities which I intended to cover, dealing with the set-up in Canada. Just treating it in a general way for the moment, if I may, the United States authorities have set up a system under which every requirement for the army, air force, and navy is rated according to the degree of urgency, and is given priority ratings, grading from AA, which is extra special, down to B-1 and B-2, and so forth; and it is necessary that our requirements be fitted in to their system of priorities, because otherwise we might place an order in a contractor's plant and it will be continually shoved aside by the receipt of new orders from the United States authorities bearing these priority ratings, and our order would not get attention. So our people must agree with the United States authorities that, for instance, if we wished to buy some parts for rifles in the United States, that order would be given at least equal rating with the United States order for rifle parts. That takes up a great deal of the time of our liaison officer in Washington at the moment.

I had referred briefly yesterday to our system of handling capital assistance to contractors. That is in cases where, due to the fact that the article has not been made in Canada before, or in some instances perhaps a very small quantity only has been made, it is desired to greatly expand the production, and it has been found necessary to extend assistance to contractors in the way of purchasing machinery, machine tools, jigs and dies and perhaps remodelling buildings or even constructing new buildings.

The department has laid down very strict rules for dealing with matters of that nature, the intention being of course to safeguard as much as possible the interests of the crown and to see that we do not extend capital assistance to a contractor if another contractor could have been secured who could do the job for less.

A very careful system of checks has been set up and I should like to deal with that for a few minutes if I may.

By Mr. Harris:

Q. Mr. Chairman, when the witness deals with that will he also include working capital, if there are any cases?—A. Yes, I will be very glad to mention that, sir. Dealing first with the question of capital assistance in connection with machinery and machine tools, because that is usually the type of assistance necessary, we receive a request from the Department of National Defence for the production of a new article which has not been produced before or not produced in sufficient quantities to meet their demands. The plant survey division comes into the picture first. They are consulted by the negotiating officers or the purchasing officers in the purchasing branch to which this requisition goes, and they produce to that officer or officers a list of the contractors whom they consider competent to supply this article.

By Mr. Black:

Q. You are referring to a completely and entirely new article?—A. Yes, or one perhaps manufactured in such small quantities—

Q. Who constitutes that plant survey committee?—A. A number of officers of our department, sir, who are skilled in plant work.

[Mr. G. K. Sheils.]

Q. Is that shown on your chart?—A. It is on this list—"Machine Tools, Gauges and Plant Records", plant records being the records of all these surveys.

Q. Who are the personnel of that plant survey committee?—A. It is not a committee, it is a division of the department. I could not give you the names of the officers offhand, but I will be glad to get them for you. They are men who have had wide experience in machinery and machine tools. I should like to file those names, if I may, later, as I cannot recall all of them at the moment.

The CHAIRMAN: Yes. Make a note to do that, Mr. Sheils, please.

The WITNESS: They will supply the purchasing officer with a list of the contractors whom they think could be reasonably expected to be able to supply this article. The purchasing officers then consult these contractors to see if they can produce the required article and what deliveries they would estimate to make. Considerable discussion on cost, of course, takes place. The contractors then submit details of any additional machinery and equipment which they figure they would require. They cover the question of any extensions or alterations to buildings. These proposals are submitted in considerable detail with cost estimates opposite each item. These are then gone into very thoroughly by the purchasing officers in consultation with the engineers and officers of the plant survey and plant records department.

Our purchasing officers in the branch where most of this takes place—that is, the munitions production branch—are themselves experienced production men. Mr. Carmichael of General Motors, Mr. Drysdale of the Montreal Locomotive, Mr. Brunning of the Consumers Glass Company, are all engineers and have had a wide experience in production matters. They go into the submissions of these contractors in detail. When they have decided that contractor A or contractor B is the one best suited to do the work, possibly because of the fact that his capital assistance requirements are less than anyone else's, or because he may be able to show evidence that he can produce the finished article at a lower price or can make better deliveries;—all these factors are taken into consideration—

By Mr. Black:

Q. I wonder if Mr. Sheils could tell us whether or not location is given consideration, the proximity to the locality—I wonder if the witness could explain whether location is a factor which receives consideration?—A. Yes, sir, those factors are taken into consideration,—I am glad you mentioned that, I was missing a rather important point: The question of labour supply is very definitely at the fore in these discussions, and if it is a large enterprise we are contemplating we must keep out of a labour market which has already been very thoroughly taken up. These questions are all considered.

When the purchasing officers have decided that they wish to deal with contractor A they put forward a recommendation which comes to me in three copies, the purpose of each of which I will cover in a moment. This recommendation recites all the facts of the case; sets out the store to be secured, the amount of capital assistance required by the contractor and why; whether it is machines, machine tools, buildings or whatever it is; the delivery promises which he has made; the fact that title to the machinery and the machine tools is to vest in His Majesty; what happens to the title of buildings—of course, if we construct a new building the title to that vests in His Majesty, but if we make an extension or alteration to an existing building it is sometimes not possible to get title to it—it covers the question of the title to the land, it covers the question of the estimated cost of the finished store.

Q. How do you get title to this land—by expropriation or by agreement of sale?—A. In the case of capital assistance to established contractors, largely by agreement, sir; outright sale and transfer of the land to His Majesty at a price of a dollar, or something like that. In some cases where the land may

be in the centre of the contractor's plant title may be transferred to the Crown only for the duration of the war and a certain number of years after; because the contractor could scarcely be expected to sell a piece of land out of the centre of his plant. But, in every case, this question of land title is given very careful consideration, and the best possible deal in the interests of the Crown is made; and if the deal does not provide for title to be transferred outright to His Majesty the proposition is usually checked carefully by one of the executive assistants to the minister to make sure that no possibility of getting that title has been overlooked. This submission comes forward to my office.

By Mr. Mayhew:

Q. Who decides when a temporary building is to be built? And, even in the case of a permanent building, who decides what is to be done with that building after the war is over?—A. If the contractor has to build a new building, sir, he is required to call for tenders and to refer the tenders to us; and at that time our construction branch in consultation with the purchasing branch who are handling the project will consider whether the type of building which the contractor desires to put up is unduly expensive for the work to be done. All specifications for such buildings are checked by the construction branch in consultation with the purchasing branch concerned.

By Mr. Graham:

Q. As to buildings which are erected and as to which it is not possible to obtain title, what safeguards are then set up?—A. Do you mean a complete new building, sir?

Q. Yes. Or a building extension, a new extension?—A. Frequently it is provided in the case of a major extension, not in the case of small alterations but of major extensions or new buildings such as you mentioned, where for some reason it is quite impossible to get title, that the contractor will hold this building available for the use of His Majesty for the duration of the war and a period of years thereafter, sometimes five years thereafter.

Q. So that at the end of five years the industry in question would then own the building without cost?—A. Yes. That is not the case in very many contracts, because usually it is possible to get title to the building and the land.

Q. Well then, as to the buildings to which you obtain title, is there any provision for the industry to have prior rights to buy in the building at the conclusion of the war?—A. That is a matter for special agreement in each case when the contract is drawn, sir. There is not any stated rule, a lot depends on the location of the building, the type of industry, the type of building; that is worked out specially in each agreement. Some agreements provide that His Majesty will not sell a building for a certain number of years without giving the contractor an option of purchasing at whatever price His Majesty can obtain from a third party; others have somewhat similar clauses, and some have no such safeguards to the contractor.

Reverting now to the Capital assistance recommendation about which I was speaking, I said that this form comes to me in three copies. I made a mistake in that. I should have said four. I had overlooked the fourth copy which goes back to the originating branch. When this form comes to me it bears the authorization of the negotiating or purchasing officer concerned and of one of the executive assistants to the minister. If it is approved by me we distribute the four copies as follows: one copy goes immediately to the order in council division, where the proper officers prepare the submission to the privy council seeking authority to expend this money to provide this contractor with capital assistance. That order in council recites all the facts shown on the form to which I have referred and sets out the necessity for the assistance

[Mr. G. K. Sheils.]

being provided, reciting the facts that we have a requisition from the Department of National Defence for a certain store that the articles cannot be procured otherwise, and ends with a definite recommendation from the minister that authority be granted him to enter into such a contract. Another copy goes at once to the appropriation section in the Comptroller's branch. This section deals with the Treasury Board. They immediately make an application to the Treasury Board to secure the necessary allotment of funds without which we could not proceed. Another copy goes to the legal department for the preparation of what we term the "Go-Ahead-letter". The fourth copy goes back to the originating branch. These have all been signed by me. The originating branch knows that at least their proposal has passed the deputy's office, and that, unless it is turned down by the privy council or by the Treasury Board, they have the project authorized.

The copy which goes into the order in council division for the preparation of the submission to the privy council is, of course, in that division for work to be done on it, but we quite appreciate that that work will be entirely wasted if the Treasury Board should turn down the appropriation. We have not had many cases, however, where the Treasury Board has turned down or held up appropriations—the number has been so small that it is considered advisable to save the time which can be saved by having the order-in-council division working simultaneously on the other copy. In the same manner the copy which went to the legal branch for preparation of the "Go-Ahead-letter" is being worked on subject to (a) obtaining the appropriation from the Treasury Board, and (b) obtaining Privy Council authority; and the Go-Ahead-letter in no case is issued to the Canadian contractor until the Privy Council has passed the submission. The copies of the form are distributed in this manner merely so that the three branches will be proceeding simultaneously, and when the Privy Council authority has been received the Go-Ahead-letter will be all ready and can go out the same day. The Go-Ahead-letter has been referred to frequently, and if it would not weary the committee I might read a sample Go-Ahead-letter, if you think it would be interesting.

The CHAIRMAN: Yes.

The WITNESS: I will omit the name of the contractor, because this is a copy of an actual letter which has been written to a contractor. This deals with the manufacture of— and then there is a complete description of the article to be made.

With reference to the negotiations which have taken place recently between representatives of your company and this department, I am setting out below, in broad outline, the agreement reached:—

1. *Capital Expenditure*

To enable you to manufacture—and then we again recite the article in detail—you are hereby authorized to incur capital expenditure for the acquisition of new plant (hereinafter called "the new plant") to an amount not exceeding the sum of (—) as set out generally below, and more particularly in the Department of Munitions and Supply report M.B. 219 dated January 8, 1941, a copy of which is enclosed:

(a) Machinery and equipment.. . . .	(\$....)
Jigs and fixtures.. . . .	(\$....)
Small tools (including hand tools).. . . .	(\$....)
Gauges.. . . .	(\$....)
Installation and preparatory work.. . . .	(\$....)
Land.. . . .	(\$1 00)
New Buildings.. . . .	(\$....)
Contingencies.. . . .	(\$....)

The above amounts do not include duty, import taxes, sales taxes or foreign exchange, and such items should be shown separately when rendering invoices.

2. *Payment*

The Canadian government will pay the cost of the new plant, not exceeding the total mentioned in the last above paragraph, provided that the department has approved the same and the price thereof in writing. The respective amounts set opposite the items mentioned in paragraph 1 (a) may be varied provided that the total thereof does not exceed (\$....).

And then we quote the limit of the total authorization.

The Canadian government will also pay you for any duty, import tax, sales tax and premium on exchange actually and properly paid by you in connection with the new plant up to the approximate amount of (\$....).

3. *Citadel Merchandising Co. Limited*

With regard to the machinery and machine tools included in the new plant, it will be decided by the above company whether you or said company purchase the same. In this connection, it is essential that you adhere to the following procedure:—

(1) Before purchasing any such machinery or machine tools, you will send a list thereof to Citadel Merchandising Co. Limited, Canada Cement Building, Montreal (in this letter referred to as Citadel).

(2) Citadel will immediately contact you and discuss the possibilities of securing such machinery and machine tools and will submit to you a list of any which it may itself have on order for government contractors, or will recommend substitutions which may have better delivery dates.

(3) Citadel will advise you how much machinery and machine tools are to be purchased, whether by you or by Citadel, and the procedure to be followed when any are to be bought by you in the United States or in Great Britain.

(4) Citadel will arrange with you how payment for such machinery and machine tools is to be made.

From the foregoing it will be seen that it is essential that Citadel be placed in possession of all facts relevant to the purchases. If you carry out the above instructions, you will be relieved of a great deal of responsibility and detailed work. This department will not be responsible for any machinery or machine tools which you purchase except where you comply with the above instructions.

4. *Title*

The title to the new plant shall vest in the Canadian government and shall be transferred by you to the said government free from all claims, liens, or encumbrances. Further details in respect of the land are to be arranged before a formal contract is drawn.

As I said before, the land is shown in this Go-Ahead letter at \$1, it having been arranged with the contractor that it will be transferred to us on that basis.

5. *Building Construction Work*

It is to be understood that the plans, specifications and drawings with respect to the building construction work and the nature and type thereof, the selection of the architect and of the contractor and principal sub-contractors (if any) and the terms of the contracts to be entered into with them are to be subject to the approval of the Minister and that the Minister may at all times exercise general supervision and control over the design and construction of the work to such extent as he may from time to time determine.

[Mr. G. K. Sheils.]

6. *Manufacture*

You will proceed immediately to purchase, construct and install the new plant at—

Then we give the definite location—

—adjoining your present plant so that you will be in a position to manufacture—

And then we list the articles again in detail.

—at the rate of—

—the agreed upon number—

—per 24-hour day, commencing within . . . months after the receipt by you of full manufacturing information for fair and reasonable prices later to be agreed upon.

This is a case where it was not found possible to agree upon the price of the finished store and either the price will be negotiated later while the plant is being constructed or we would start off on a target price or some similar basis when the production stage is reached.

7. *Contract*

A formal contract with respect to the above mentioned capital expenditure and manufacture will be drawn later in a form satisfactory to this department containing the usual termination clause and such other terms and conditions (not inconsistent with the terms and conditions mentioned in this letter) as this department may require. At the option of the department, separate contracts will be drawn for the capital expenditure and for the manufacture.

8. *Accounts*

You will keep proper accounts and records of the cost to you of and incidental to the new plant and the invoices, receipts and vouchers relating thereto, all of which shall at all times be open to audit and inspection by any authorized representative of this department.

9. *Production Department*

Four copies of all orders placed for machinery, equipment, gauges, jigs and tools are to be forwarded on the same day the order is placed, to the director general of the munitions production branch, Department of Munitions and Supply, Ottawa.

That happens to be the branch in which this project is being handled. If it were the general purchasing branch it would say so; but most of these at least obviously would be handled by the munitions production branch.

Providing the order is approved, one copy will be returned to you by the production division of the munitions branch.

10. *Indemnity*

So long as the new plant shall be in your possession, you shall indemnify and save harmless the Canadian government in respect of any claim, whether for personal injuries or otherwise, that may be made against the Canadian government, based upon or arising out of the Canadian government's ownership of any part thereof.

11. *Insurance*

You need not insure the new plant but shall take all reasonable care thereof.

12. *Foreign Exchange Control Board*

I am enclosing herewith a form letter dealing with foreign exchange and shall be obliged if you will be kind enough to carry out the instructions contained therein.

That deals with obtaining permits to secure United States funds and matters like that—this form letter is prepared in consultation with the Foreign Exchange Control Board.

13. *Special Bank Account*

This happens to be a case where there is a large sum of money involved in the construction of the building.

The Canadian government will, from time to time place you in funds as hereafter provided to meet the costs actually and properly incurred by you in the acquisition, installation and construction of the new plant, provided that the total liability of the Canadian government hereunder shall be limited to \$ in Canadian funds. You will purchase in Canada wherever possible all the material, machinery and equipment required for the new plant.

As soon as you inform me that you are proceeding immediately to carry out the agreement outlined above, instructions will be issued for the opening of an account to be entitled—

And then we give the company's name and the name of the article being purchased,—for example, John Jones gun account.

—(or such other name as may be agreed upon) with some chartered bank in Canada to be named by....—

Then we put in whether the bank is to be named by the contractor or named by the government. In very large projects the Department of Finance may use some discretion in the selection of a bank, but if the contractor is already in business in a large way we usually deal with his bank.

The funds to the credit of this account will be used by you only for the payment of such reasonable and proper amounts as may from time to time be payable in connection with the acquisition, installation and construction of the new plant. The Canadian government will pay in to this account monthly an amount estimated by you and approved by this department as being sufficient to cover the requirements of the succeeding month.

We get an estimate monthly in advance from them.

All monies from time to time at the credit of the account are to be the property of the Canadian government, but until their authority is revoked by the Minister or Deputy Minister of the department, specified officers or directors of your company will be empowered to draw cheques on this account in accordance with a banking resolution to be approved by this department.

On or before the 20th day of each month you will submit to this department an estimate, in reasonable detail, setting out the money which you consider is required to be placed to the credit of the account for expenditures to be made during the ensuing month. On or about the 15th of each month you will submit to this department a detailed report of disbursements which you have made and, in addition to other relevant information, your report will include:—

- (1) A record of all cheques drawn on this account, showing the names of the payees and giving a description of the materials purchased and services rendered.

(2) Copies of the bank's monthly statement showing debits, credits and balances.

(3) Bank reconciliation statement.

Upon completion of the acquisition, installation and construction of the new plant, all such records of accounts, etc., are to be delivered to the department if so required.

I shall be obliged if you will kindly acknowledge receipt of this letter and confirm that you will proceed immediately to carry out the terms of the agreement outlined above.

This letter is signed by myself after having been drawn and approved by the legal branch.

By The Chairman:

Q. That is a sample?—A. Sample of a Go-Ahead-letter.

Q. Sample of a Go-Ahead-letter?—A. Yes.

Mr. CLEAVER: I have two or three questions bearing on the letter; may I ask them now?

The CHAIRMAN: *Yes.

By Mr. Cleaver:

Q. Mr. Sheils, is there a rental charge made by the government to the contractor with respect to the capital assistance?—A. No, not in a case such as I have cited here, but it does happen in some cases. In a case like this one the Crown owns the buildings and all the machinery and machine tools.

Q. Perhaps if I state the problem in the back of my head first and then ask the question you would understand it better. I take it that in some of these contracts you will have one contractor who will need capital assistance of half a million dollars, say, and another contractor making the same type of product will need capital assistance of one-half of that amount. How can you arrive at a fair price comparison if the contractors are not each charged with a rental charge with respect to the capital assistance which they receive?—A. That would be done on the basis of the cost audit, sir. The cost accountant would know—

Q. That answers it.—A. —which are His Majesty's machines and these are kept separate from the contractor's machines in figuring depreciation and costs. Your question, however, is very pertinent, sir. We do have a class of contractor to whom we do make a rental charge. I am speaking now of what we term a "multiple subcontractor" *e.g.* where a subcontractor is producing equipment for perhaps half a dozen master contractors and possibly also for contractors who are not engaged in the war effort at all. Knowing that he will charge a profit of some sort on the sale of the product which comes off the crown's machines we charge him a rental for such machines, the idea being to sell the machines to him over a period of three or four years on that rental basis. That is, the rental charge will be 25 per cent or $33\frac{1}{3}$ per cent or so of the cost of the machines.

Q. Then, as to the contract where a rental charge is made, I take it this capital advance is amortized over a period of years?—A. Yes.

Q. As to the contracts where no rental charge is made no amortization takes place in the case of capital, as it does not enter into the cost of the goods?—A. That is correct.

MINUTES OF PROCEEDINGS

FRIDAY, March 21, 1941.

The Special Committee on War Expenditures met at 11 o'clock, a.m. The Chairman, Mr. Thorson, presided.

Members present: Messrs. Abbott, Black (*Cumberland*), Bradette, Chevrier, Fournier (*Hull*), Gladstone, Golding, Harris (*Danforth*), Macdonald (*Halifax*) MacInnis, Marshall, Pottier, Ross (*Moose Jaw*) Thorson.

Mr. F. M. Covert, Assistant to General Counsel, Department of Munitions and Supply, submitted a brief statement in reply to questions asked at the previous sitting respecting the authority conferred upon the minister under certain provisions of the Department of Munitions and Supply Act.

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply was recalled. He resumed his statement on the functions of the department and was questioned. He filed a memorandum showing the names, peace-time occupations and qualifications of the personnel in charge of the plant records and plant survey work. (See Appendix to this day's evidence.)

The subject of capital and working capital assistance having been brought up, the question arose of the propriety of examining British accounts or joint British-Canadian accounts. The chairman ruled that it was not the function of the committee to examine any expenditure defrayed out of moneys provided by the British Parliament and that, for the present, the committee should confine its enquiry into matters that are exclusively Canadian account.

At 12.40 p.m. the committee adjourned until 11 a.m., Tuesday, March 25.

R. ARSENAULT,
Clerk of the Committee.

The CHAIRMAN: And possibly by section 21 which deals with the regulating power where it is provided that "The Governor in Council may from time to time make such regulations as may be deemed necessary or advisable (a) to provide for the proper and efficient organization and administration of the department."

Mr. COVERT: Yes.

The CHAIRMAN: That may have some bearing.

Mr. COVERT: Yes, if you can call this a regulation. I was also asked, sir, whether there had been any regulation. There have been no regulations as such, no compilation calling for regulations.

The CHAIRMAN: But an order in council—

Mr. COVERT: That is correct.

The CHAIRMAN: But an order in council passed with regard to a matter of administration might be deemed to be a regulation passed under the authority of section 21?

Mr. COVERT: Right, sir.

The CHAIRMAN: Then perhaps Mr. Sheils would be good enough to continue.

Mr. BLACK: When may we expect the minutes of our proceedings? Apparently I have missed some. I have only the first one.

The CHAIRMAN: No. 1 is the only one we have had back from the Printing Bureau. We expect No. 2 this morning.

Mr. BLACK: Wednesday's and Thursday's are outstanding.

The CHAIRMAN: Yes. I shall now call on Mr. Sheils.

Mr. G. K. SHEILS, Deputy Minister, Department of Munitions and Supply, recalled.

The WITNESS: Mr. Chairman, I was asked yesterday to give the committee some information as to the personnel of our plant records or plant survey division. I have here a memo setting out the names and peace-time occupations and qualifications in engineering and manufacturing of each of the members of the division. It is rather lengthy, and if it will serve the purpose of the committee I will pass it on to you and have it placed on the record, sir.

Mr. MACINNIS: I think that is a satisfactory way to deal with it.

The CHAIRMAN: File it as an exhibit?

Mr. MACINNIS: It should go into the record, I think.

The CHAIRMAN: We shall put it in the record as an appendix. Mr. Harris asked for particulars of the plant records division, I believe.

Mr. HARRIS: My question had to do with working capital.

The WITNESS: Yes. I mentioned last night the question of working capital was the next item on the agenda in so far as my notes were concerned. I had not quite completed the question of the go-ahead letter.

At the same time as a go-ahead letter is issued to a contractor a letter is written to the Citadel Merchandizing Company Limited, which is a wholly government-owned company set up to assist in the procurement of machinery and machine tools. This letter reads somewhat along these lines. I am reading from a copy of an actual letter.

Dear Sirs: re—

Then we put the name of the contractor and the item which he is to manufacture.

This letter will serve to confirm that the above noted contractor has been authorized to purchase machinery, machine tools, equipment, dies, etc., for a total amount not exceeding \$. exclusive of duty, import

taxes or sales tax. A copy of the Department of Munitions and Supply Report M.B. 219 dated January 8, 1941, which describes the machinery, machine tools and equipment to be purchased is enclosed.

I shall be obliged if you will kindly facilitate in every way possible the purchase of such machinery and machine tools as may be required, and will advise Mr. J. B. Carswell in New York of any negotiations which the said contractor proposes to carry on in the United States for the purchase of any of the machinery or machine tools in that country, and will also advise Mr. C. A. Banks, of London, England, of any negotiations which the said contractor proposes to carry on in the United Kingdom for the purchase of any of the machinery and machine tools in that country.

The capital expenditure mentioned in this letter is for Canadian government account.

I enclose for your information a copy of my letter to the contractor containing the above-mentioned authorization.

This is sent out the same day as the go-ahead letter to the contractor and puts the wheels in motion in the Citadel Company to co-operate with the contractor in the procurement of the machinery.

By Mr. Marshall:

Q. Who heads this Citadel Company?—A. Mr. Thomas Arnold.

Q. What qualifications has he for the position?—A. He is an engineer, a production engineer of long standing. I believe his home company is the Manitoba Bridge Company; is that correct, Mr. Eaton?

MR. JOHN EATON: Manitoba Steel Foundries; he is president of it.

THE CHAIRMAN: President of the Manitoba Steel Foundries?

MR. EATON: Yes, of Winnipeg. They make steel castings.

By Mr. Marshall:

Q. What does this company generally deal in?—A. The Citadel?

Q. Yes.—A. They either purchase themselves or assist the contractor to purchase practically all types of machinery and machine tools for the war effort.

By the Chairman:

Q. Did you give a description of the set-up of the Citadel?—A. No; I have that in my notes as a later item when I am dealing with all government-owned companies.

Q. You are going to deal with that later?—A. Yes. One of the members asked a question yesterday in connection with working capital.

When one of the government-owned companies operating a manufacturing business or one of these government-assisted contractors handling one of these very large projects for us gets into production it is obviously necessary to supply it or him with working capital.

By Mr. Harris:

Q. Can you enlarge on that? You say it is obviously necessary to supply him with capital. Why is it obviously necessary if he is a bona fide manufacturer? If he is a bona fide manufacturer he has his line of credit with his bank. Why is it necessary obviously to supply him with working capital?—A. Because the project into which he is entering, in the cases which I have in mind, represents such an expansion of his operations that his regular capital and banking credit will not take care of it.

Q. If you take the companies that have been provided with working capital, without mentioning any names, you will find they are very large companies. In fact, you and I understand that they are almost international

companies, and yet we find in the record that they are using working capital in order to complete a particular contract. Let us get this clear. I can quite imagine there are two kinds of companies, those that are peculiarly fitted and adapted to do certain type of work and need the money to do it with. That is one thing. Secondly there are companies, and I will name one of them just as an example to put the name on the record. I mention the name of the Dominion Bridge Company, a very large concern. Why, Mr. Chairman, is it necessary that working capital be provided for a company of that magnitude in order for them to carry out a contract under this department? At the time they are carrying out this contract, due to their magnitude they are carrying out ten times as many contracts in the ordinary pursuit of their business. I should like the witness, Mr. Chairman, to differentiate between those that have no funds and have perhaps to use working capital and those large concerns like the one I mention, and perhaps C.I.L. as well. Why should they be provided with working capital; surely their credit is good enough with banking institutions in Canada. We do not have to carry them through their contract. Just as a matter of information perhaps the witness will be kind enough to put on the record why it is necessary with regard to certain contracts to provide very large organizations with working capital and in other contracts, probably specialties, smaller organizations also have to be provided with working capital.

The CHAIRMAN: Will you please deal with that, Mr. Sheils?

The WITNESS: I did not mean to convey the impression, gentlemen, that every company which is handling a project for the crown is supplied with working capital. If I did convey that in my opening remarks I am sorry; it was a mistake. Each case is considered very carefully on its merits before any submission is made to Privy Council to provide working capital. Some of the cases fall into the first category mentioned by the gentleman who asked the question, Mr. Harris, namely they are small companies who are well equipped from a managerial point of view to carry out a particular project but have not the capital at their disposal to do it because, in many cases, the project which we ask a contractor of that type to carry out is a far more extensive project than any with which he is accustomed to deal in his commercial business.

By Mr. Harris:

Q. You are speaking now of the smaller organizations?—A. Yes, that is one category, where smaller organizations may be found to be excellently equipped with technical men with reference to the particular items of supply which we require.

By Mr. Gladstone:

Q. In one sense you are drafting these men into special work?—A. Yes, that is correct.

By the Chairman:

Q. That is one category?—A. Yes. In the other category is the larger organization which we ask to step in and take on a very large project. It is usually found that their banking line of credit would be considerably strained to finance this government project. The question has arisen—it arose right at the start when we first were faced with the necessity of making a decision on this matter of working capital—why not say to the bank “We will guarantee the bank account of this contractor so that you can loan him the necessary millions of dollars to do this particular job”.

[Mr. G. K. Sheils.]

By Mr. Harris:

Q. You are guaranteeing these companies to the extent that they have an order underway on behalf of the Department of Munitions and Supply?—A. That would be the idea.

Q. Only?—A. The answer to that is that in the majority of these very large projects the crown is responsible for all the costs of the project, and if we guarantee the contractor's bank account we would simply be paying five per cent interest to the bank; whereas crown money advanced to the contractor by the government can be financed at a considerably lower cost. I should not like to be taken as an authority on this, but I understand it costs the Canadian government approximately three per cent or thereabouts to finance, so that we are saving money for the crown by advancing working capital to the companies, instead of requiring them to obtain it through the banks, because the bank interest would be passed on to the crown anyway.

Q. Are there any reserves set up to take care of these contingencies in the event of the working capital not being returned to the Crown?—A. Not on our books, sir. I could not answer as to what the Treasury Department may do in these cases, but in so far as the Department of Munitions and Supply is concerned we do not enter into that type of financial accounting.

Q. The Treasury Department will answer that question in due course.

The CHAIRMAN: Will you bring it to the attention of the Treasury people when they come here?

Mr. HARRIS: Maybe.

The WITNESS: We put forward a submission for order in council reciting the facts of the case and ask authority to advance the contractor up to a stated amount as working capital and when that is authorized by order in council a capital advance is paid into a bank and is controlled by a banking resolution covering the signing officers, etc., somewhat along the same lines as the banking account of which I spoke yesterday in connection with construction of buildings where the amount to be expended is so large that the contractor cannot finance it himself and we put up the money for him.

By Mr. Harris:

Q. The matter going before Privy Council I imagine would be a straight recommendation from the Munitions and Supply department?—A. Oh, yes, it has to go before the Council as a recommendation from us.

Q. That recommendation goes before Privy Council in common with many scores of other recommendations, and Privy Council being very busy and while they assume the responsibility on that recommendation nevertheless they have to go through rather hurriedly and after all the real responsibility comes from the recommendation of the department. They would be terribly disappointed, Mr. Chairman, if the recommendation was not passed.—A. The minister of the department mentioned to me only this morning that Privy Council went very carefully into all recommendations for capital assistance and working capital. I think they look into that type of recommendation quite carefully, sir.

By the Chairman:

Q. Have many of these go-ahead letters been issued involving capital assistance?—A. Yes, a good many, duly authorized by order in council in each case before they are issued and then followed by a formal contract.

In every case where capital assistance is extended or working capital is provided the order in council, as I say, recites all the facts, and the department sets up a Financial Encumbrance which is passed by the treasury board and an allotment provided. We cannot proceed until that treasury board authorization has come through.

The CHAIRMAN: Will you just explain what you mean by, a Financial Encumbrance.

Mr. BLACK: I think we should have on the record a list of all advances made as working capital, as opposed to capital requirements for plant.

The WITNESS: That is a matter, sir, to which I would not have the authority to agree. This question comes into it—

Mr. BLACK: I can hardly hear the witness.

The WITNESS: That is a matter, sir, on which I would not care to express agreement at this time; for this reason, that a great many of these working capital advances deal with either United Kingdom accounts, or joint accounts; and, as I understand it, we are not dealing with matters related to United Kingdom purchasing in this country. Possibly it would be a matter which the minister would have to decide, or which the chairman of the committee would have to decide, whether we should place on record items which relate in any way to the United Kingdom.

By Mr. Harris:

Q. It is obvious, of course, that some of these are United Kingdom accounts and some of them are joint accounts. May I ask this question, are some for purely Canadian account?—A. Oh, absolutely.

Q. Right. Just why we should run through United Kingdom and joint accounts and forget about Canadian accounts I cannot quite appreciate; however, may I ask this question, Mr. Chairman: With respect to those that are on Canadian account there can be no possible harm in letting us know about them, or in putting them on the record. Why not put them on the record?—A. The previous question, as I understood it, covered a list of *all* cases where working capital was provided, and I was questioning my authority to agree to that.

Q. Let us take first things first and consider Canadian agreements?—A. Personally, I see no objection.

Q. We could get the amount of working capital advanced to Canadian accounts, we could have a list of them, there is nothing secret about them?—A. There would be no objection to that.

Mr. HARRIS: Would you have that put on the record, Mr. Chairman?

The CHAIRMAN: Could you get that for us?

The WITNESS: Yes.

Mr. HARRIS: The whole point, Mr. Chairman, is this encouraging of large organizations. They should be fair enough to go ahead and take on a contract and do the job using their own funds with their own organization, instead of divorcing their present Canadian business entirely from government business. They have to look after the financing of their own orders. Let them be big enough to finance the ordinary business they are doing and treat the Government of Canada as another order, the same as they treat John Jones and company; let them go ahead and do that business instead of divorcing themselves from the Dominion of Canada on a government order and making the government finance the order all the way through. Surely, they are big enough Canadians to do that, Mr. Chairman. I do not know whether you see my point. It should not be necessary except in a very few cases, cases that are highly technical in nature, or cases where some small organization is involved which has the technical equipment and personnel to do a highly technical job exceptionally well; it is quite all right to give them advances; but, with the larger organizations, for Heaven's sakes let them treat the Dominion of Canada more as they would

[Mr. G. K. Sheils.]

treat an order from John Jones and company and provide their own working capital, and go ahead and treat it as an ordinary order. And by the way, Mr. Chairman, that is intended as a constructive criticism.

Mr. Ross: May I say, Mr. Chairman, that I do not subscribe to what Mr. Harris says at all. The witness has just said that in many of these cases economies can be effected by the government supplying the money which it would be able to get at a lower rate than that at which the contractor could get it himself. One of the purposes of this committee is to look into all possible economies. I do not subscribe to what Mr. Harris has said at all, if that is the case, that these moneys can be procured by the government at a lower rate of interest and with the result that the contract can be performed at a lower cost to the government.

The CHAIRMAN: I thought Mr. Sheils made that perfectly clear, that it was cheaper for the government to do it that way.

Mr. Ross: If that is so why should we ask them to do it the old way?

Mr. BLACK: It is just a question whether or not it would be more economical. In one case the industry would own the capital investment, in the other case the minute hostilities cease it would be owned by the federal government and we would not know what it is costing until these plants and equipment were disposed of.

Mr. Ross: A business that was prudent would not only protect themselves against any loss of the kind you are speaking of but they would also charge it up in their contracts.

Mr. BLACK: Yes, they would charge it up as an asset, and it would be considered as such when hostilities ceased and war orders were completed.

Mr. HARRIS: They are doing that very thing now in the depreciation allowances which have been a feature of many of the measures which have been up before us in the house. These new plant buildings are paid for by writing off at a very high rate of depreciation; but, in the case of companies such as we have in mind at the moment, they would undoubtedly be used for the specific business which the company is in. In any event, in the final analysis, the receiver general is the one who pays the shot.

Mr. BRADETTE: What I gather from the discussion we have heard is that this financing is not lost, it all comes back to the government out of these contracts.

The WITNESS: Oh, yes, it is working capital which will come back to us in the form of finished goods.

Mr. BRADETTE: I do not see what there is in the point raised by Mr. Harris; as a matter of fact, I fail to see the foundation of the argument he uses. If the country gets back that money put into the larger companies and if it can get it at a lower rate of interest it follows that these companies should be able to produce the articles at a lower cost than would be the case if they were to get their money through the chartered banks.

The WITNESS: Yes.

By Mr. Macdonald:

Q. I suppose in making advances to any of these companies by the government it would always be at the request of the companies themselves; the government, in other words, does not force any of this money on the companies?—

A. I do not think that the government forces any money on them, sir; but there might readily be a case of an extremely large project which is going to be operated on the basis of cost plus a management fee where it would be obvious to the officers of the government who were handling the project that a company

could not, without getting a special bank loan, finance the operation. We look at the companies' profit and loss statements and balance sheets very carefully when we are entering into a large deal with them, and it may be quite obvious in such a case to the officers of the department that a company could not take on a project involving the employment of 5,000 men and the manufacture of a very large item of supply without going to the bank for a special bank loan of \$3,000,000 or \$4,000,000. In such cases I do not think the company would have to plead very hard for the advance, it would be obvious to our officers that an economy would be achieved by financing that project with government money.

By the Chairman:

Q. Is that an item in the cost factor?—A. Yes, sir.

Mr. MACDONALD: In the case of a substantial company, in the case of a company whose credit rating was unquestionable, it would be more satisfactory from the point of view of the government to let that company put up its own money and carry through this contract in the ordinary way.

The CHAIRMAN: Would that be necessarily so, Mr. Sheils?

The WITNESS: I think it would depend very largely on the circumstances of the individual case, sir.

Mr. MACDONALD: Yes.

The WITNESS: We do not make a practice of saying to the contractor, now you will need some capital assistance; quite the contrary. We do not say to him; now, you certainly need some working capital; it is a case where the contractor says to us, I cannot finance this, I will have to go and get a special bank loan; or, it is obvious from an examination of his financial statement and his balance sheet, that this is the case.

Mr. MACDONALD: In the case of one of the weaker companies there might be a danger that such loan would not be repaid.

The CHAIRMAN: The working capital would come back in goods.

The WITNESS: Yes, I was going to say that the only danger in that which I could see would be the cessation of hostilities which would leave us with a lot of goods in process in that plant from which goods our money could not be recovered.

Mr. ROSS: On the face of things, Mr. Chairman, in the case of a company taking on a contract, a very large contract, it does not seem reasonable to me that that company can go to the bank and get the same rate of interest to carry out that project that the government can get. There may be a difference of one per cent in the interest charge to a private corporation as compared to the government. Now, the price that is agreed upon on these things surely would be based on that, and if a private company goes to the bank to get this money at we will say 4 per cent and the dominion government can get that money at we will say 3 per cent, surely the price of the article will be based on the difference between that; if the company has got to go and find its own money it must be based on the 4 per cent, if the government gets its money for them it would surely be based on the 3 per cent; therefore, it follows that the department must be able to get a better deal in price on the articles if they put up the money than they would if the company goes out to finance themselves for it. I do suggest that that would be reasonable.

By Mr. Fournier:

Q. Are there any set rules to guide the department in a matter of financing these companies; or, is each case studied on its own merits?—A. We have not yet been able to set any hard and fast formula. Each case has to be considered on its merits, depending on the size of the project and the size of the company; and whether the project is to be a fixed price job, or a cost plus job, etcetera. Most

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of these large projects which involve working capital are not fixed price jobs, they are jobs where the Crown has agreed to pay the contractor his costs, plus a management fee or some such sum for his services; and in these cases the question as to the financing cost is obviously a factor in the final obligation of the Crown.

Q. Well then, does the department make advances to these contractors at the beginning, or during the execution of their contracts?—A. You are speaking of working capital now?

Q. Yes.—A. The working capital is advanced to them as they need it. It is not given to them in a lump sum at the beginning, but as they happen to need it.

By Mr. Golding:

Q. That working capital is advanced only to companies that are going to go into a special line of work, is it not; it is not for ordinary production purposes?—A. Oh, no, by no means; it is done only in the case of the project which is beyond the financial capacity of the contractor.

Q. And in the case of the cessation of the war all of that stock and equipment would be of no value for anything else, or of practically no value?—A. Practically none.

Mr. BRADETTE: Well then, as far as Mr. Harris' argument goes, if this private corporation uses its own capital and there were an abrupt cessation of hostilities the manufacturer in such an instance would be responsible for his own loss; in the other case, where the financing is done by the federal government, there is the likelihood that the government is the one who would be left holding the bag. That is the thing which really is not clear in my mind; is there any possibility under the present set-up of financing certain corporations that we might be left holding the bag and thereby losing large amounts which otherwise would not be lost to these corporations?

The WITNESS: I do not think there is any more chance than under the other method, because if a contractor is manufacturing for us, using his own capital, and has put in stocks of raw materials and special supplies relating to the production of a special gun or something which is not a peacetime job, the termination clause in the contract provides something like this, that if at the cessation of hostilities or at any other time the contract is cancelled by the Crown the contractor will be repaid the cost of these raw materials which he has bought especially for this project and which cannot be used elsewhere.

By the Chairman:

Q. He would be entitled to payment on a quantum meruit basis?—A. Yes.

Mr. HARRIS: If it will add anything to the discussion I would point out that I have not at any time mentioned the possibility of the cessation of hostilities. That is a new angle which has been introduced since I was speaking, and I just wanted to make it clear that I did not at any time mention that eventuality. In any case, I imagine that the government would take delivery of orders outstanding. That would be about the least they could do. But with respect to that point, with all due respect to my honourable friend from Cochrane (Mr. Bradette) I had not even thought of mentioning it.

Mr. BRADETTE: I just wanted to be clear in my own mind on that point.

Mr. MARSHALL: It seems to me, Mr. Chairman, that we could save ourselves a great deal of unnecessary discussion if we left the matter over until we see the record, and see to whom this money has been advanced, and then when we see the picture we can tell pretty well how the thing stands.

The CHAIRMAN: I think that is a very excellent suggestion; and I understand, Mr. Sheils, that the department has no objection to giving a list of these projects where capital assistance has been given or working capital advances have been made in the case of straight Canadian accounts; that is correct?

Mr. BLACK: Why should we not have it for joint accounts too, if we are going to look into the expenditure of Canadian money?

The CHAIRMAN: Now, that opens up, it seems to me, quite an important question.

Mr. MACINNIS: Mr. Sheils did not say we could not have it. He said he did not wish to express an opinion; that he is not sure in his own mind that he has that authority and he does not want to assume that authority without permission.

The WITNESS: I question my authority to agree to release any information in connection with the United Kingdom.

The CHAIRMAN: That opens up an important question which we shall be faced with from time to time, and I think perhaps we might well have a discussion on that and more or less settle our course of procedure. The Department of Munitions and Supply functions in a number of capacities. It acts for the government in the matter of supplies and munitions for Canadian account. It also acts as the agent of the British government in purchasing or procuring munitions and supplies for British account. Now, that raises the question as to how far if at all this committee should enquire into the functions of the Department of Munitions and Supply in so far as that department acts as agent for the British government; and I invite discussion on that subject so that our course generally throughout this committee may be clarified on that point.

Mr. BLACK: I am very clear that we should have a list of advances on joint account. It is just a question as to whether or not we should also have it on British account where our government is responsible for that expenditure. If we are going to look into war expenditures we should have that.

The CHAIRMAN: Let us have one speaking at a time, please.

Mr. CHEVRIER: The terms of our reference do not include the British account.

Mr. HARRIS: There are the joint accounts, Mr. Chairman.

The CHAIRMAN: If we could just hear one at a time so we could clarify this discussion.

Mr. MACDONALD: I think the terms of the reference go far enough to justify our going into all expenditures in regard to joint accounts; and that, if the purpose of this committee is to try to suggest economies, economies that might arise through savings in the operation of joint accounts or control of money expended for the benefit of Canada and Great Britain, that would be just as useful, to some extent at least, as any economy which can be effected in connection with moneys paid out directly for the dominion government. I do not think, at this stage at any rate, that we should go into the question of expenditures incurred by the Canadian government for the British government.

Mr. ROSS: I would say that this committee had a perfect right to go into all expenditures in regard to Canadian companies. I do not see that this committee has any right to go into any expenditures which are for British account, unless the British government requests us to do so. It is none of our business.

Mr. MACINNIS: I would agree with Mr. Ross. I do not think that what the Canadian government has done for the British government is any concern of ours.

By Mr. Marshall:

Q. Are there any British accounts which are guaranteed by the Canadian government?—A. That would be a question which would have to be answered by some financial official of the government, sir.

Mr. MARSHALL: That would to some extent govern. I doubt very much whether or not we should go into some of these British accounts if they are

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wholly for Britain and Britain guarantees them. I do not see that it is any of our concern; but if the Canadian government is in some way mixed up with the account I think we should have some say in the matter.

Mr. ROSS: The only question there would be whether Great Britain was solvent or not.

Mr. ABBOTT: Could we not consider those which are exclusively for Canadian account and defer until later decision as to whether it would be desirable to include going into joint accounts or British accounts? Let us take the exclusively Canadian ones first.

The CHAIRMAN: If we could have just one member speaking at a time, please.

Mr. ABBOTT: My suggestion, Mr. Chairman, was, that we might well proceed to enquire into capital expenditures or advances made exclusively for Canadian account, and when we have concluded that if the committee feels it would be desirable to pursue the matter further to enquire into expenditures for joint account and exclusively British account we could do it; but let us start with the exclusively Canadian accounts first.

Mr. POTTIER: That has all appeared in the *Financial Post*, particulars of these joint accounts, and the separate Canadian accounts, has it not?

Mr. BRADETTE: Did you say some on British account too?

Mr. POTTIER: I believe so.

Mr. HARRIS: Apparently we do not all subscribe to the *Financial Post*. I have seen it somewhere. I have no doubt that we all of us read the *Financial Post* at some time or other, but I doubt whether we all subscribe to it or not.

Mr. CHEVRIER: I would not subscribe to that statement.

Mr. POTTIER: I think that list has appeared in there, anyway.

Mr. BLACK: If such a list has appeared in a paper such as the *Financial Post* I think it should appear also in our record. I am merely saying that if it is in that publication I think we should have it on our record. It would seem that these papers are able to get information which we require to carry on our deliberations here, and which we can't get.

Mr. FOURNIER: There can be no objection to following Mr. Abbott's suggestion, that we go ahead and consider Canadian accounts and make a study of them.

The CHAIRMAN: My only thought on the point was that this is the first time this question has been raised, and I think that on the first time of raising it we ought to clarify our position in the matter.

Mr. ROSS: Besides that, Mr. Chairman, there is plenty of scope in the Canadian accounts to start with until first we find out whether the British government has any objection. I do not think we have any right to start into anything that they have to do with until such time as we find out what their attitude is with regard to it.

Mr. ABBOTT: It is safe to assume that the same procedure would be followed in connection with Canadian accounts as applies to British accounts. We might find after enquiring into advances made to purely Canadian companies, if we were convinced that the practice followed was satisfactory, it would not be necessary to get permission to go into British accounts. We are crossing our bridges before we come to them.

Mr. BLACK: I would agree to that, but I do ask that a statement of advances on joint account be placed on our record along with advances to purely Canadian account.

Mr. HARRIS: Carried.

Mr. FOURNIER: Now, Mr. Chairman, we have to follow our reference which reads:

To examine the expenditure defrayed out of moneys provided by parliament for the defence services, and for other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein.

I believe we would have to go into these joints accounts, but we should get them right now, before studying our own situation here in Canada.

Mr. BLACK: And so far as they can conveniently be taken up at the moment.

Mr. MARSHALL: Let us take our own first.

Mr. FOURNIER: I think we should take our own first.

Mr. BLACK: There can be no objection to having on the record the particulars with respect to the joint account. That is all I am asking for now.

Mr. FOURNIER: We will be in a better position as we go along to decide what expenditures we should go into.

Mr. MARSHALL: If this is the record here, this article in the *Financial Post*—would you like to see it, Mr. Chairman?

The CHAIRMAN: We do not know whether it is or not.

Mr. MARSHALL: I think it was in *Hansard* somewhere; I know it is on the record somewhere.

Mr. ABBOTT: I think we would be perfectly safe in having published a list of joint accounts, because in that order of reference it refers to, "moneys provided by parliament." Well, we certainly would be dealing with money provided by parliament on these joints accounts; so that could easily be taken in along with our own accounts. We are bound to have some money paid into these joint accounts by parliament.

The CHAIRMAN: Is there any further discussion?

Mr. BLACK: I would like a decision on that; whether we are going to have placed on our record advances for Canadian account and British account?

The CHAIRMAN: I wonder if it would not be desirable for us to hear from counsel for the department on this subject?

Mr. HARRIS: Before you do that will you answer this question: Have we counsel for this committee?

The CHAIRMAN: I beg your pardon?

Mr. HARRIS: Is there any counsel here for this committee?

The CHAIRMAN: No.

Mr. HARRIS: I would be glad to hear a word from counsel for the department.

The CHAIRMAN: None of us are here in that capacity.

Mr. HARRIS: There is no objection to having this on the record.

The CHAIRMAN: If it is the wish of the committee to hear him; this is a matter of some importance that we should deal with.

Mr. MACDONALD: I think we should hear counsel.

The CHAIRMAN: Very well, Mr. Covert.

Mr. F. M. COVERT: My understanding is that under the terms of the reference you can only inquire into cases where the moneys have been allotted by parliament; that is, Canadian accounts and joints accounts in so far as—

Mr. HARRIS: May I interrupt the witness? It does not say, for Canadian account.

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The CHAIRMAN: Order. We are hearing Mr. Covert.

Mr. COVERT: —in so far as Canadian moneys are expended. Without the permission of the British government we could not divulge any matters relating to British contracts. The moneys involved are not Canadian, and the only subsidiary question would be the question of whether or not there has been any guarantee; until that question is answered, if there is liability on the government, unless there is, we have no right to divulge the information without the permission of the British government. The department is acting merely as agent for the British government. It is not a question of parliament acting at all, it is the minister.

Mr. BLACK: In their public capacity, or in their private capacity?

The CHAIRMAN: I beg your pardon?

Mr. BLACK: I asked whether these ministries were acting in their private capacity or in their public capacity.

The CHAIRMAN: You are not suggesting he is acting in a private capacity, are you, Mr. Black?

Mr. BLACK: No. That is the reason why we should have the information. He is acting for parliament and the people of Canada and we have been asked to inquire into that. Therefore, we should have the information.

Mr. BRADETTE: You mean "joint account"?

Mr. BLACK: Yes, I am only speaking of joint account now.

Mr. GOLDING: Our reference says: "That a select committee be appointed to examine the expenditures defrayed out of moneys provided by parliament—" If parliament is not providing these moneys, what have we to do with it?

Mr. BLACK: Parliament is providing money on joint account.

Mr. GOLDING: We are not disputing that, nor is counsel disputing that. Everyone understands he is speaking only of the United Kingdom expenditures.

Mr. MACDONALD: We all agree as to that.

Mr. ABBOTT: I should like to see it on the basis that we will inquire into expenditures for Canadian account first.

Mr. BLACK: Put both lists on the record together and we will investigate only advances on Canadian account first.

Mr. ABBOTT: I personally would not have the slightest objection to the complete list going on the record providing there is no objection from the point of view of the British government or British mission to placing it on the record. From what counsel has said I do not think we have much right to inquire into this item; but I do not think anyone could have much objection to our putting it on the record.

The CHAIRMAN: I think we have come to a fairly general agreement on this subject and perhaps I might make a ruling with regard to the matter. Our reference provides that our committee is appointed "to examine the expenditures defrayed out of moneys provided by parliament for the defence services, and for other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein."

It would seem perfectly clear that the term "parliament" as it appears in our order of reference means the Canadian parliament and that it is not the function of our committee to examine in any manner whatsoever any expenditure defrayed out of moneys provided by the British parliament. I should perhaps point out that the British parliament has set up its own select committee on national expenditures. Furthermore this point, I think, should be borne in mind: namely, that in purchases on British account the Department of Munitions and Supply functions as an agent for the British government

and it might well be deemed presumptuous on our part to be examining into the business of the British government, whether the British government carries on that business by a British mission or by a Canadian department of the government purchasing as the agent of the British government.

I suggest that our committee will have plenty to do in functioning within the scope of its own reference—

Mr. BRADETTE: Hear, hear.

The CHAIRMAN: —without taking in territory which is outside the scope of the reference. This ruling, if I may call it such, is subject, of course, to a very important qualification; namely, that if some matter involving the Canadian economy is involved—

Mr. HARRIS: Or joint account.

The CHAIRMAN: Just a moment, Mr. Harris—such a matter is quite properly a matter for inquiry by our committee. Now the subject of joint Canadian and British account has been discussed by the committee. But the examination of such matters in view of the fact that the business is joint account might involve an examination into British business, which, in my view, is not our business. I think, therefore, that Mr. Abbott has suggested the proper course of procedure in this regard in connection with joint British and Canadian account. His suggestion was that we might well confine ourselves to an examination of this question so far as it concerns exclusively Canadian account and it may well be then that we shall be satisfied—

Mr. HARRIS: Mr. Chairman, why use the word “exclusively”?

The CHAIRMAN: Will you allow me to conclude my ruling?

Mr. HARRIS: Will you enlarge on that word “exclusively”?

The CHAIRMAN: I have already outlined the reasons for dealing with matters that are exclusively Canadian account. After that is done we might then come to the view that the matter of financing these projects either by way of capital assistance or furnishing a working capital is perfectly satisfactory, in which case it will not be necessary to examine into joint Canadian and British account projects. My ruling would be that at the moment we confine ourselves to matters that are exclusively Canadian account. In making this ruling I should not wish anyone to understand that this committee is not interested in the manner in which the Canadian Department of Munitions and Supply functions in its capacity as agent for the British government in its discharge of its duty to the British government. Of course we are interested in that, and indeed every Canadian will be interested in that point and will wish that any department of ours, any Canadian government department, should discharge its functions as efficiently as possible. In this great venture of war we are partners. But I do suggest that we will best discharge our duties by adhering to the terms of our reference and confining ourselves to an investigation into our own business without attempting to investigate the business of another government.

Mr. HARRIS: Or the joint business?

By Mr. Marshall:

Q. Is there any branch of the department which deals exclusively with this problem?—A. Exclusively with which problem?

Q. Any problem of loans. Is there any branch of the department which deals exclusively with this matter that we are now discussing?—A. Advance of working capital?

Q. Yes.—A. No; that has to pass through a number of offices in the department. The original submission might come from the munitions production branch who are dealing with the contractor. It would have to pass through the deputy minister's office; it would have to pass through the comptroller's

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branch and to the treasury board for the appropriation; and would have to go to the order in council office in the secretary's branch for the order in council to be prepared.

Mr. BLACK: I cannot hear the witness at all. Is the decision this: before we go on to hear from the witness we are not going to have placed on the record a list containing a statement of the advances on Canadian account and a statement of advances on joint account? I should like to have that decision.

The CHAIRMAN: I thought I had made the ruling clear. We will have before us a statement of the projects that have been financed which are exclusively of Canadian account. With regard to the projects that are on joint account, I pointed out that it might well be that the examination of these projects involves an examination into British government matters, which in my opinion we cannot examine into without their consent.

Mr. BLACK: Even so, there is no objection to having that list placed on our records and having it before us.

Mr. MACINNIS: There is a point in your ruling, Mr. Chairman, that I should like to have clarified. Does it mean that this committee cannot examine joint accounts in so far as they affect the Canadian government or Canadian parliament? If that is the case we might very well be excluded from examining a very large amount of war expenditures. I am not insisting. I think Mr. Abbott made a very reasonable statement when he said that we should deal with Canadian account first and then when we finish with these go on with the joint account. I should not like your decision to rule out our right to examine joint accounts in so far as they affect Canadian expenditures.

The CHAIRMAN: Mr. MacInnis, I pointed out that the ruling which I gave was subject to an important qualification; namely that if some matter involved a Canadian economy such matter was quite properly a matter for inquiry by this committee.

Mr. MACINNIS: That satisfies me.

The CHAIRMAN: Answering further Mr. MacInnis' inquiry, it seems to me therefore that we must also connect that with the statement that we cannot examine into the joint venture that may involve an examination into British government business without their approval.

Now, it may well be that we can examine into a joint account if it is possible to separate Canadian account from British account. I do not know whether that is possible or not. It seems to me you might have to look at each of the projects to see whether that separation is possible. Therefore I think that Mr. Abbott's suggestion has real practical merit and we ought to follow the suggestion that he made.

Mr. ABBOTT: There is one further point. Mr. Sheils is a very busy man. It seems to me if we can settle questions of this sort at a meeting at which he is not obliged to sit and listen while we straighten out our own constitutional difficulties, it will be better for all concerned. After all we want him here to give us information. But it does seem to me that it is not a matter of such importance that we cannot allow him to proceed and then decide ourselves later.

The CHAIRMAN: There is also Mr. Sheils' statement that at the moment he has no authority to give us the lists.

Mr. ABBOTT: In that case, Mr. Chairman, then let us get along.

The CHAIRMAN: I thought it desirable to clarify the situation the first time it arose. Perhaps Mr. Sheils can now proceed from where he left off.

Mr. HARRIS: Is it clear that you are going to table or put on the record all Canadian accounts?

The CHAIRMAN: Yes.

Mr. HARRIS: But following Mr. Abbott, our counsel to the right, the suggestion is that we are going to defer decision with regard to the other?

The CHAIRMAN: Yes, Mr. Harris.

Mr. HARRIS: That is quite clear.

The CHAIRMAN: Yes.

Mr. GLADSTONE: We do not know but there might be the possibility that your ruling may exclude any consideration of the whole shipbuilding industry.

Mr. Ross: Let the witness get ahead.

The CHAIRMAN: We are dealing now with the subject of capital assistance and working capital assistance. Mr. Harris, your question is that Mr. Sheils should furnish the committee with a list of those projects in which working capital assistance has been provided?

Mr. HARRIS: Yes, Mr. Chairman. There is a paper here before me called *The Financial Post*, which gives details of capital aid. Perhaps capital aid will go on the record as well. I do not like having to read from this sheet. It is a paper called *The Financial Post*, and this is the first time I ever saw it.

The CHAIRMAN: It is clear Mr. Sheils will furnish to the committee a list of those projects in which working capital assistance has been given on Canadian account.

Mr. BLACK: I am going to supplement that request with another request and that is that at the same time a list be put on the record of advances made on joint account. I am not pressing that it be inquired into now, although I think it should be as far as it involves Canadian money. I am only asking now that a list be placed on the record.

Mr. MACINNIS: I think Mr. Sheils has already stated he has no authority to do that, and what is the use of asking him to do something that he cannot do.

Mr. HARRIS: The request is there.

The CHAIRMAN: He is putting the request on the record. All right, Mr. Sheils.

The WITNESS: The next item, gentlemen, which I had on my notes is the question of control which is exercised on the purchase of machinery and equipment. We have covered the question of giving a contractor a Go-Ahead-letter to purchase machinery and equipment and we have seen that a copy of the letter with a covering letter, is written to the Citadel Merchandizing Company Limited. It might be of interest to the committee to know how Citadel and the contractor function from that point and how the machines and equipment thus purchased are recorded as the property of the crown. The system works like this: when the Go-Ahead-letter is released to the contractor a copy is sent to Citadel with an accompanying letter and also a copy of the M.B. report which lists the machines and equipment in detail. Citadel then negotiates with the contractor as to the machinery required and it is decided between Citadel and the contractor

- (a) the machines which will be purchased and paid for by Citadel on behalf of the contractor and charged to the assistance account of the contractor in the Citadel and government books;
- (b) what machinery, if any, is to be purchased by the contractor, whether it is paid for by Citadel direct or whether it is to be paid for by the contractor and refunded to him by Citadel after the receipt of the machine is duly proven to Citadel;
- (c) if any machinery can be supplied to the contractor by Citadel out of Citadel's stock of machinery which has been purchased in anticipation of
 - (1) a shortage of supply
 - (2) rise in prices
 - (3) the certainty that it is going to be needed and the endeavour to obtain priorities.

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When these negotiations between the contractor and Citadel have been concluded, if the item is to be paid for by the contractor he pays the bill to his supplier and sends receipted invoices to either Citadel or the department with all documents relating to duties, etc., as well as installation charges. He accompanies his invoices with a statutory declaration that the machinery referred to is free of all encumbrances and that title is vested in the crown. An inspector then goes out from the department and checks this machinery in the contractor's plant with the invoices and with the M.B. form. This inspector attaches to the machine a metal plate, of which I have samples here. Notice these are in different colours: one is for straight Canadian government account; one is for straight British, and one is for joint, thus indicating the ownership of the machines. These plates are screwed onto the machine, which, of course, is checked against invoices and tabulations. The inspector then certifies on the invoice form that the inspection has been made and that the machine has been properly tagged. This enables the invoice to be passed to the treasury officer and to be paid. A copy of the invoice with the inspection certificate is then sent to a section of our department which we call "Central Inventory Records Division."

If the payment is to be made by Citadel, Citadel receives the invoices from the supplier and sends them to the contractor to be certified that the machines have arrived in good condition. The contractor places this certificate on the invoice and returns them to Citadel accompanied by the statutory declaration previously referred to, and certifies that the proper metal plate has been affixed to the machine.

This is then checked by an inspector who proceeds to the plant, verifies the arrival of the machines and the placing of the metal plates on them.

Again the record is passed to the Central Inventory Record Division where it is recorded. I have here one of the sample cards used by this division for the recording of these machines. It is a very detailed card tied up with identification numbers. It has on it thirty-one different types of identification for the machine: "Maker, maker's number, received from, purchase order number, date of receipt, style, invoice, cost, cost of installation, work, location in shop, condition, style of drive, stroke, strokes per minute, cutting speed," and fifteen or twenty other types of identification. So that this machine can be identified at any time in the contractor's shop even though the plate might have been removed.

It is, of course, fundamental that neither Citadel nor the contractor can exceed the amount of expenditure authorized in the Go-Ahead-letter without referring back to the department for additional authority.

When Citadel receives their copy of the Go-Ahead-letter they set up a record on their books of the amount which has been authorized for that particular contractor for machinery and machine tools, etc. Citadel does not take any cognizance of amounts authorized for building; that is not in their field at all. They take account merely of machinery and equipment.

We come back now to the Central Inventory Record Division. This division compiles a record of all lands, buildings and machinery owned by the Canadian government under the heading of each particular project. It will be noted that they deal with land and buildings, although Citadel does not. Citadel deals with machines, etc., only.

The central inventory record division keeps a record of all such items. This department also has a cross index record which records machinery by different types of machines, showing to what contractor each has been allotted and the relevant contract number. Provision is made also for complete records being kept of machines transferred from one contractor to another where it might be used to better advantage due to changed conditions.

At the moment we are in process of taking over from National Defence their records of machinery and equipment previously purchased and paid for

by them. So that when we complete this the record will be a truly central inventory record and we will have a complete record of what the government owns in any part of the country, showing what it is and where it is. I would like to make it clear that that particular record has not yet been finally completed, because the Department of National Defence have all along had their own records of these and it was only decided a short time ago that the records should be amalgamated under the control of our department. It has been arranged also that periodical checks are made by the inspectors to see that the machinery is actually in the plants and is in use, and that it checks with our Central Inventory Records Division records.

Citadel, as I pointed out, have a certain amount of inventory of machinery and machine tools under their own control. This machinery is in a special inventory of Citadel and is kept there until it is delivered to contractors for a war purpose, and it is then transferred to the Central Inventory Record Division records and comes out of the Citadel records. That covers in a brief way the carrying out of an immense amount of detail so that each machine will be properly recorded no matter where it is; and we will have in addition summary records of how many lathes, shapers, borers and so on we have all across the country, and where they are, what project they are working on, etc., so that if we have a requirement for another twelve lathes of a certain capacity we can look up our records and we can see that a project on which four such lathes were operating has been completed and these lathes can be transferred to the new contractor and thus avoid purchasing unnecessary machinery.

I had in mind, gentlemen, dealing briefly at this stage with the question of government-owned companies, showing briefly the purpose of each and the method of financing. I imagine that you are all familiar with the purpose of each, because it has been stated in the house so many times, and it has been put on *Hansard*; but the method used in financing them may be of interest.

The CHAIRMAN: I am just wondering—this opens up a new subject, and it might perhaps be one which would take more than half an hour—I am just wondering whether perhaps this morning we could not break off at this juncture; if that is agreeable. When should we go on again; on Tuesday? I think perhaps Tuesday would be desirable. We will meet again on Tuesday next at 11 o'clock. Will that suit you, Mr. Sheils?

The WITNESS: Yes.

The committee adjourned at 12:37 o'clock p.m. to meet again on Tuesday next, March 25, 1941, at 11 o'clock a.m.

APPENDIX

DEPARTMENT OF MUNITIONS AND SUPPLY

PLANT RECORDS DIVISION AND PLANT SURVEY

Headquarters

Name	Present Position	Peace Time Occupation
Capt. H. W. B. Swabey	Chief, Division Headquarters	Civil Engineering and Inspection

Member of the Engineering Institute of Canada, member of Corporation of Professional Engineers of Quebec. Has been closely associated with engineering work all his life and during last war in charge of all steel inspection for munitions. Has an intimate knowledge of all plants in Canada, having previous to this war compiled jointly with Lt.-Col. G. Ogilvie, C.M.G. detailed records of plant facilities. Since last war and previous to this has been engaged on mechanical and construction inspection work.

F. M. Davis, B.Sc.	Assistant, Headquarters	Civil Engineering
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Graduate of McGill University in Engineering and during last war, district inspector, engaged in the inspection of steel and later on in inspection of all finished machine work in connection with munitions production. In 1917 took a three months course at Woolwich Arsenal. Has been closely associated with engineering all his life and was, in view of his previous knowledge of plants and production facilities, brought into this Department assisting in the recording of all facilities.

Major T. C. Keefer	Assistant Headquarters	Civil Engineering
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Graduate of the Royal Military College in engineering and received a commission in the Royal Engineers, stationed in England, Ireland and India. In 1909, he resigned from the permanent forces and took up general engineering and was engaged, a great deal, on work for the C.P.R. His army experience and intimate knowledge of military stores fits him admirably for the position he is now filling in connection with construction of metal ammunition boxes.

Toronto and District

Name	Present Position	Peace Time Occupation
D. M. Galloway	Chief, Toronto and District	Plant Executive

Prior to last war was in charge of all the C.N.R. shops in Winnipeg. He then set up and operated the Universal Tool Steel Company in Toronto in production of 18-pounder, 6-inch and 8-inch shells and in 1917 he had charge of the equipping and operation of a plant in the U.S. producing 158 millimetre shells. Co-operating with the Imperial Munitions Board in assisting other plants in entering into munitions production. After the war he was assistant to Mr. J. A. Kilpatrick of the Dominion Wheel and Foundries and affiliated plants in Albany, N.Y. and Reading, Penn.

Name	Present Position	Peace Time Occupation
W. R. S. Careless	Assistant, Toronto and District	Electrical and Mechanical Engineer

Was for several years with the Usxside Engineering Company of England in shipbuilding and mining plant construction. Joined the Department of Inspection in May 1915 as an examiner and was appointed in 1917 as assistant inspector in charge of London sub-district. Later on became associated with the Canadian General Electric Company and was engaged in power plant lay out, costing and erection.

Frank H. Moseley	Assistant, Toronto and District	Sales Engineer
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Took two years at McGill in science, served with the artillery and Canadian Army Service Corps in France and since has been associated with Canadian Fairbanks-Morse and the Sawyer Massey Company of Hamilton.

Montreal and District

Name	Present Position	Peace Time Occupation
W. M. Waddell	Chief, Montreal District	Mechanical Engineer

A practical man, having received his early training at Gartcosch Steel Works in Scotland. During last war joined the Woodside Engineering Company of Glasgow who were engaged in the making of aircraft parts, bombs and tank fittings. Later on was engaged with Hugh Russell and Sons Ltd., of Montreal and Richard Wilcox Canada Ltd.

Oscar Bessette	Assistant, Montreal District	Civil Engineering
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Graduate of Ecole Polytechnique and for a time specialized in filtration work, construction of highways and town engineer for the city of St. Johns, Que. Later on was employed in the general contracting business, as engineer.

Burton J. Cory	Assistant, Montreal District	Mechanician
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Is a machinist and tool maker by trade and during last war was employed on inspection of shell and later on as supervisor of production in Montreal district and in western Canada. He has also had experience in the manufacture of Vickers and Browning machine guns for the Colts-Patent Fire Arms Company in Hartford, Conn.

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SESSION 1940-41
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

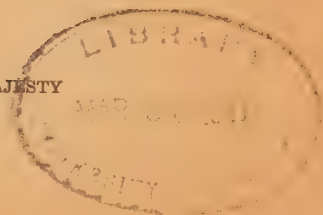
No. 5

TUESDAY, MARCH 25, 1941

WITNESS:

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

TUESDAY, March 25, 1941

The Special Committee on War Expenditures met at 11 o'clock, a.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, Pottier, Thorson.

Mr. F. M. Covert, Assistant to General Counsel, Department of Munitions and Supply, made a statement amplifying his remarks reported on pages 65 and 66 of the minutes of evidence of March 21.

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, was recalled. He resumed his general statement on the operation of various services connected with his department, and was further examined.

The Witness filed a statement showing "estimated amount of working capital required by private companies from the Department of Munitions and Supply and payments made thereon up to and including February 28, 1941 (for Canadian account only)", the said statement to appear as an Appendix to the evidence.

The Witness also tabled copies of Orders in Council covering the appointment and powers of Controllers.

The following correction in the printed record of the committee's proceedings was ordered, viz:—

On page 32, sixth line from the bottom, for the word "Kingdon" substitute the word "States".

At 1 o'clock p.m., the committee adjourned until to-morrow, Wednesday, at 11 a.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 368,

March 25, 1941.

The Special Committee on War Expenditures met this day at 11 o'clock. The Chairman, Mr. J. T. Thorson, presided.

The CHAIRMAN: Gentlemen, we will come to order. On Friday, Mr. Covert—

Mr. HARRIS: Just before you commence proceedings, might I suggest that we form ourselves into a sort of hollow square; first, for the reason that we might be able to see the witness, and second that we might possibly hear the witness. Another suggestion, we should have a messenger attached to this committee rather than to have to run our own messages.

The CHAIRMAN: Mr. Covert gave us some information on Friday which he would like to amplify further.

Mr. BLACK: We can't hear a word, Mr. Chairman; I can't hear you at all.

The CHAIRMAN: Mr. Covert gave us some information on Friday which he would like to amplify.

Mr. F. M. COVERT, called.

The WITNESS: Mr. Chairman: When I was asked about the power of the minister to delegate signing authority I dealt with the matter generally, but since the meeting of the committee on Friday I have had an opportunity of reading the transcript of the evidence given before the committee, and in explaining the delegation by the minister to certain officers, of his authority to sign contracts, I would like the opportunity of dealing with the matter more fully in so far as it refers to the authority of the local purchasing agents or their assistants. The statement which I did make is entirely accurate, but in order to give a full picture with respect to the local purchasing agents, some amplification is necessary. There have been several instruction letters issued by the deputy minister on the subject of local purchasing agents since the department took over as of April 9, 1940, the local purchasing offices established by the War Supply Board. On April 30th, 1940, an instruction letter was issued stating how the awarding of a contract would be handled and instructing local purchasing offices to use form D.M.S.-8. By this instruction letter the local purchasing agent was given authority to enter into contracts in the manner set out in that letter. Subsequently by an instruction letter dated February 19, 1941, authority was granted to assistant purchasing agents with respect to purchases not exceeding \$300. The authority of the deputy minister to issue these instruction letters is found not only in his position as deputy minister and the powers conferred upon him as such, but also in an instrument dated December 4, 1940, signed by the minister, authorizing Mr. Sheils to sign on the minister's behalf any deed, contract, writing or document relating to any matter under the control or direction of the minister as Minister of Munitions and Supply. This delegation was retroactive in its effect and was effective as from the date of the appointment of Mr. Sheils as deputy minister, which was early in April, 1940, upon the formation of the department. The authority of the local purchasing agents to sign has been omitted from the signing authority memorandum of March 6, 1941, to which I referred on the 21st March. The reason for this is that the memorandum governed the signing authority of what might be called the "headquarters of the department" in Ottawa and the offices mentioned in the United States. It was considered that it would be quite

sufficient to deal with the local purchasing agents' signing authority in the instruction letters, such as those to which I have referred; in view of the fact that additional instructions, from time to time, are given to them and additions are made to the staffs of these various offices, it was not considered necessary to have the minister sign the new authorities to local purchasing agents and their assistants from time to time. That is why the local purchasing agents are not mentioned in that March 6th document, signed by the minister. They are dealt with in letters signed from time to time by the deputy minister.

The CHAIRMAN: That is in reply to a question that was raised by Mr. Fournier.

Mr. FOURNIER: Thank you, sir. I take it then that the minister delegated to Mr. Sheils his power under section 6, and Mr. Sheils gives the instructions to the purchasing agents?

The WITNESS: Yes, sir.

The Witness retired.

Mr. G. K. SHEILS, Deputy Minister of Munitions and Supply, recalled:

The CHAIRMAN: Then, Mr. Sheils was to furnish us with a list of the companies to whom advances of working capital had been made for Canadian account. These might be printed as an appendix to to-day's proceedings.

Mr. HARRIS: And at the same time, Mr. Chairman, we ought to have a list of all government expenditures being advanced.

The CHAIRMAN: I beg your pardon?

Mr. HARRIS: We have a list in front of us, I do not know where it came from; oh yes, it was from the *Financial Post*, and the said advisement has this information from the minister. I think we should have it officially on the record.

The CHAIRMAN: I have no recollection of a request being made for a list of capital advances, but that list can also be obtained—for Canadian account. Will you give that to-morrow, Mr. Sheils?

The WITNESS: Yes.

Mr. MARSHALL: That list which was published in the *Financial Post* will be found as an appendix to *Hansard* of February 25, 1941 [pp. 1121]. It is there in complete detail.

The CHAIRMAN: Yes.

Mr. ABBOTT: I think we should save the cost of having it re-printed.

Mr. BRADETTE: Certainly.

Mr. MACDONALD: I understand that this statement is to be marked as an exhibit by the chairman, not that it is to be reproduced as a part of the record of our proceedings.

The CHAIRMAN: I was going to suggest that the list that was asked for be printed as an appendix to our proceedings to-day.

(Note:—The list above referred to was not printed as an Appendix to the proceedings of Tuesday, March 25, the list filed by Mr. Sheils on Wednesday, March 26, being substituted therefor and ordered to be printed.

It should also be noted that the answers given by Mr. Sheils on Tuesday, March 25, in reply to questions arising from the said list, are to be read subject to the additional statements on the subject made by Mr. Sheils on Wednesday, March 26.)

Mr. CLEAVER: I think it should be, Mr. Chairman; it is not a long list. It would be useful to have it in our records.

[Mr. G. K. Sheils.]

Mr. MACINNIS: If it has been printed in *Hansard* it will be a very small cost to include it in our record. I understand the type is still available at the printing bureau.

The CHAIRMAN: We will print this list as an appendix to to-day's proceedings, all that was requested was a listing with regard to working capital assistance. A further list will be supplied by Mr. Sheils with regard to capital assistance for Canadian companies, on Canadian account.

Mr. CLEAVER: Might I be permitted to ask a question in regard to working capital assistance; or, would you rather not have questions now, Mr. Chairman?

The CHAIRMAN: I think it might follow now.

By Mr. Cleaver:

Q. Has the department worked out any rule of procedure as to working capital assistance? That is, have you set up any definite percentages of contract amounts as to which working capital assistance has been granted. I understand that in the United States with respect to many of their war contracts advances are made to the extent of one-third of the total awarded?—A. No, sir, we have not any such formula here, for several reasons; in the first place we consider that it depends to quite an extent upon the type of project. I have in mind that one contractor may be undertaking the manufacture of a particular type of ordnance, or ammunition, on which he will be able to get into production in perhaps five or six months; another may be undertaking the manufacture of a much more complicated type on which it would take him fifteen or sixteen months to get into production. Now, he would get no sales of his finished article, naturally, until he gets into production; so the amount of working capital required in the one case is greater than in the other. Then, as regards relating it to the value of the contract; what we are doing in most cases in Canada in connection with these larger projects is providing a capacity of so many units—so many guns or so many shells—per month; not producing a specific contract quantity; so that the capital expenditure could not reasonably be looked at in relation to the value of a contract; in some cases there is no such contract value, it is a matter of providing a productive capacity of so many units per month.

Q. Do I take it from that then, Mr. Sheils, that working capital assistance down to the present time has not been extended to companies making firm bids for a definite commodity or given article, capital assistance has rather been extended to contracts on a cost plus management fee basis?—A. Yes; without making a categorical statement, sir. From memory there has not been any case such as the first one you mentioned. I can say quite definitely I do not think we have ever provided working capital for a contractor who had we will say tendered or bid in competition with others at a fixed price per unit. I think such provisions of working capital are all related to cases where a contractor is producing a product on the basis of cost plus a fixed fee, or a management fee of some type, and where all of the cost comes back on to the government and must be re-imbursed to the contractor by the government.

Q. I was just wondering, as the war goes on and as we run into scarcity and rising cost of materials, if the department might not get a better bid, a lower cost bid, if the manufacturers were extended capital assistance; that is, up to a certain percentage of the contract; so that they could immediately go out into the market and protect themselves by buying materials to fill that particular contract?—A. I think our attitude on that up to the moment, sir, has been that in cases such as you have mentioned where there is what you might term a competitive market we do not care to engage in the banking business in competition with the established banking facilities, and we allow contractors to carry on their financing through their usual channels.

There are some cases, very few of them, to which I had intended to refer in amplification of evidence given by me last week. As you have brought the question around to that point perhaps I may be permitted, Mr. Chairman, to refer to it now, and it might amplify my answer to your question.

On Friday last, at page 78 of Minutes of proceedings No. 4, I was asked by Mr. Marshall if there was any branch of the department dealing exclusively with "problems of loans". At that time, I was dealing with advances to contractors who are operating government-owned machinery and plants and I had in my mind that type of advance when answering Mr. Marshall's question. I said that there was no branch of the department which dealt exclusively with these matters, or particularly with them, but they went through a number of our different divisions and branches. There is another situation with which we are sometimes faced involving proposals by negotiating officers to advance money to a contractor by way of a loan, as for example, a loan to be used for working capital. This situation must be distinguished from cases where money is supplied by the Crown to contractors for construction of buildings or the purchase of machinery and equipment where the title to the assets purchased is to be vested in the Crown and from cases where money is supplied by the Crown for working capital purposes to contractors operating Crown machinery and equipment virtually as agents of the Crown. The latter is the type of larger project of which we were speaking, where the Crown defrays all the cost of the project plus some sort of a fee in most cases. The situation of which I now speak is dealt with by a committee for the department which is charged with the responsibility of examining all proposals put forward by negotiating officers of the department, of the nature indicated, for advances to contractors and determining the necessity for such advances. It is also charged with the responsibility of recommending the procedure by which any such advance which may be approved will be made and secured. The committee consists of two of the senior officers of the department itself and of Mr. B. G. McIntyre, comptroller of the Treasury, and Mr. Watson Sellar, the Auditor General. These four gentlemen review any proposals which do not fall within the categories to which I have referred.

By Mr. Harris:

Q. Just at that point, with respect to those two senior officers of the department; I presume at one time they are two certain officers, and then in connection with another matter they may be two others, that they are not always the same?—A. The two senior officers referred to are always the same, Mr. Harris; but in addition the negotiating officer who is putting forward the proposal always appears before the committee and states his reasons for recommending the advance.

Q. I suppose there would be no objection to giving the names of these two senior officers of your department?—A. No, sir; they are Mr. Henry Borden, K.C., general counsel for the department, and Mr. R. A. C. Henry, economic advisor to the department.

I wish, gentlemen, to refer briefly to another point which appears in the evidence in Minutes of proceedings No. 2 at page 25: It has been brought to my attention that the language which I used in replying to a question put by Mr. Cleaver is capable of being misinterpreted. I had just spoken of an instance where we did not consider it practicable to call for tenders of a large requirement of cloth for the manufacture of uniforms. I then said:—

'That order, incidentally, was placed on what we term a ceiling price based on a cost audit. I will refer to that later, but that is the principle we used at *that time* to mobilize the textile industry.'

[Mr. G. K. Sheils.]

I was dealing with the question of ceiling prices and various other forms of checks and safeguards where we did not consider it practicable to call for tenders on an order. Mr. Cleaver then asked:—

Under those circumstances would all of the firms supplying cloth receive the same price per yard or per pound?

In replying to Mr. Cleaver's question it was my intention to make my remarks apply *generally* to the method of operation of the ceiling price basis of purchasing. It will be noted that I said: "The ceiling price would *usually* be fixed at the same price," et cetera. Some of my officers feel, however, that it might be taken that my reply referred particularly to the type of ceiling price arrangement made with the textile industry in respect of that first order and, moreover, that the word "usually" might be interpreted to mean that this was the usual practice with respect to the textile industry and not, as I had intended it, with respect to the broader field of industry in general. I would not like to have any misunderstanding in respect of this matter and I wish therefore to point out that my reply was intended to have a general rather than a specific application. As a matter of fact, the use of a ceiling price basis in the textile industry was limited to the particular order to which I referred and there could not therefore be any such thing as a "usual" method of applying a ceiling price in such industry. I appreciate, however, and my officers have pointed out, that this might not have been known to all the members of the committee and they might think that I was referring to the usual method of applying a ceiling price in the textile industry.

MR. GRAHAM: Just repeat that last statement that you read from your record?

THE WITNESS: I said, "As a matter of fact, the use of a ceiling price basis in the textile industry was limited to the particular order to which I referred and there could not therefore be any such thing as a 'usual' method of applying a ceiling price in such industry."

MR. GRAHAM: Thanks.

THE WITNESS: I might say that we used the audits which were made on that first order under the ceiling price plan to negotiate with the industry committee for a fixed price for our various cloth requirements and this fixed price, adjusted from order to order in consultation with the said committee, to take into consideration increases or decreases in costs of raw materials, wages, et cetera, has been used in all subsequent orders in the textile industry.

By Mr. Cleaver:

Q. And that fixed price from then on would be universally applied; that is, you would not pay one maker more than another for the same type of goods?—

A. Yes, I think that has been a flat price over all, with the exception that there may have been some cases where on the advice of the industry committee a differential was allowed to a group of mills in one locality as against a group of mills in another locality for some basic cause or reason; but, to my knowledge, there has been only one such differential and that as between major groups; and when that was done it was on the advice of the industry committee.

There is an error in report No. 2 of the minutes at page 32: In dealing with the functions of the inspection board this report reads: "Yes, he handles both the United Kingdom and Canada"; that, obviously, should read, "United States and Canada". You will remember, Mr. Chairman, we were speaking about Major General Lock's inspection board for the inspection of purchases in the United States and Canada.

THE CHAIRMAN: And the purchases in Canada are on both Canadian and British account?

THE WITNESS: Oh, yes.

By Mr. Black:

Q. Are these prices based usually on the delivery point being at the factory or at certain centres, certain outside places such as Ottawa, Toronto, Montreal or Halifax?—A. Before making a statement as to the predominant delivery point practice, sir, might I ask our general purchasing agent to answer that; he would be able to give you a more specific reply?

Mr. JOHN EATON: I am sorry that I cannot give you that from memory. I know there have been instances where we have tried both methods. I would rather have an opportunity of checking it up at the office and replying later.

The WITNESS: I would like now, gentlemen, to deal with the government-owned companies, if I may?

By Mr. Harris:

Q. Might I ask you one question before we leave that subject: What interest rate if any is charged for these advances; first of capital assistance, and second, of working capital? What rate of interest do you charge from time to time; does it start with the job; when a job ends in six months what do you do about this interest charge; and does it retire at that time?—A. Where the Crown advances money as working capital to a project such as the ones we are discussing no interest is charged against that project for such money. It is Crown money and the Crown is taking back all the finished product, so it is considered by the government that it would be purely a matter of "out of one pocket and into the other" to charge interest on such working capital.

Q. Mr. Chairman, are the prices received then perhaps competitive with the prices received from others that are not asking for Crown money, or receiving it?—A. This is a case, sir, where the contractor in question is not competing against someone else for the privilege of making this product. He has been selected as the sole maker of the product, or—

Q. Then it applies only in the case of a sole maker of a product, the contractor in such a case is the sole maker of a product and these others—
—A. Either that, or it might be possible that you would have two contractors producing the same product because neither one of them could handle the whole project, but they would not be bidding in competition with others who are not being assisted by the government.

Mr. HARRIS: I would like to get the matter a little more clearly in my mind.

The CHAIRMAN: A little louder, please, Mr. Harris.

Mr. HARRIS: I say, I would like to get the matter a little more clearly in my mind. There is this case regarding the purchase of ammonia amounting to \$110,000 in Alberta, one-third of which is for Canadian account and the balance for United Kingdom account; say there are other manufacturers of ammonia in Canada; this particular order has no reference to bids having been called for ammonia?—A. I am sorry, sir, I could not answer from memory on individual products.

Mr. HARRIS: I am not asking you that. I want to get this principle of policy in my mind, that is all.

The WITNESS: I have stated the policy as I understand it.

Mr. ABBOTT: That amount to which Mr. Harris refers would not of necessity be working capital.

Mr. HARRIS: I am just looking through these items here of working capital.

[Mr. G. K. Sheils.]

By Mr. Mayhew:

Q. In cases such as the one to which you have just referred the contractors would not be allowed to include interest and depreciation charges in their costs of materials?—A. No, sir.

Q. And in that way you figure the government is protected, do you not?—A. That is right.

Mr. HARRIS: There is an example on page 1128 of *Hansard*. The example is, "Welland Chemical Works Limited, working capital, \$15,000."

Mr. ABBOTT: There is one on page 1123.

Mr. CLEAVER: That appears to be capital assistance, and not working capital.

Mr. ABBOTT: There is an item on page 1123 as follows, "Defence Industries Limited, working capital arrangement, \$3,350,000."

By Mr. Diefenbaker:

Q. Defence Industries Limited is really not one of the government institutions?—A. No, it is a privately-owned company.

Q. That is C.I.L.?—A. Yes.

Q. You mentioned that you were unable to go into individual cases?—A. Yes.

Q. You had no knowledge of the individual cases?

The CHAIRMAN: He did not say he had no knowledge.

Mr. DIEFENBAKER: I am asking that.

The WITNESS: I definitely have not as accurate a knowledge of individual cases as have the officers who personally handle them. There are too many of them going through for me to remember each one. The officers who handle them are available to come here and answer questions.

By Mr. Diefenbaker:

Q. Who are the officers who handle those particular items individually?—A. The directors general of the branches concerned. If you wish to talk about chemicals, the director general of the chemicals and explosives branch can be brought here to answer questions. If you wish to discuss guns there is an officer specifically in charge; he can answer any of your questions.

Q. Coming back to the point Mr. Harris raised a while ago, suppose you advanced as working capital a certain amount to Defence Industries Limited and did not charge any interest on that advance, is the price paid for individual units produced by them any lower than the price paid to other companies to whom no working capital is advanced?—A. My point there, sir, was that we do not have other companies producing the same type of unit; we are taking the entire capacity in most cases of a certain type of plant for tanks or guns and we are paying every element of cost in those tanks or guns to that contractor, and unless it is a case of having to set up another contractor in the same manner to produce more of the same gun or tank we would have only that one contractor.

Q. Is this the fact: that in the case of an advance of working capital, such advance is made only to a company producing one certain thing that is not produced by any other company; is that what you say, Mr. Sheils?—A. I do not know of any cases, sir, where we have advanced working capital to a company which is producing an article in competition with another company which is not getting such working capital advances.

Q. That is what I had in mind.—A. I cannot remember any such cases.

By Mr. Harris:

Q. Take for example the Canadian Anaconda American Brass Company Limited, New Toronto. Working capital was advanced to them for the production of cartridge brass of \$150,000. I presume they would be the only company competent to produce cartridge brass. This example appears on page 1121, line 7, and reads as follows: "Anaconda American Brass Limited, New Toronto, working capital for production of cartridge brass, \$150,000 for Canada account." I presume from the evidence before the committee that this is the case where these people were the only ones competent to produce this particular order therefore working capital was provided?—A. That falls within the category, sir, that I mentioned, where, for some good reason, e.g. one contractor not having the capacity to produce all the requirement, the desirability of a second source of supply, etc., you might have two contractors set up for the production of the same article. In the case of the Anaconda Brass, there is to my knowledge another company producing brass, the Canada Wire and Cable. One company, the Anaconda Brass is to produce sheet brass and the Canada Wire and Cable Company is to produce sheet brass and rod brass also. Both companies are to receive working capital assistance.

By Mr. Diefenbaker:

Q. Did the Canada Wire and Cable Company get any working capital advance, Mr. Sheils?—A. Yes, they have received a working capital advance.

Q. How much was that?—A. It is on that list which I tabled this morning, sir.

Q. On page 1122 of *Hansard* it is shown that the Canada Wire and Cable Co. Ltd., Montreal, brass strips, discs and rods, \$5,200,000, but it does not refer to working capital there.—A. No; that is not working capital; that was capital assistance for purchase of machinery and construction of plant, because at the time the *Hansard* list was printed that company was not in the production stage and had no need for working capital. Since then, as shown on the list which I tabled this morning, sir, there has been an authorized working capital expenditure for both Anaconda Brass and Canada Wire and Cable of \$5,000,000.

Q. That is authorized by the government as working capital as distinct from capital assistance. When was that authorization made?—A. I have not the dates of the orders in council here, sir, but it was authorized apparently since the *Hansard* list was printed or it would have been in that list.

Q. That was since the 25th February?—A. I would say if it had been authorized at that time it would undoubtedly be on that list. It was \$5,000,000 in the case of both of these companies for working capital. That does not mean that the \$5,000,000 has been paid to them. Such working capital, as I said a couple of days ago, is paid to them as they can show their need for it as they get into production.

Q. Can you give us the figures, Mr. Sheils, as to how much has been advanced for working capital?—A. Yes.

Q. For the Canada Wire and Cable.—A. It is all contained in the list.

Q. And the Anaconda Brass as distinct.—A. The advances for working capital to date have been, Anaconda Brass \$110,000 up to February 28, and the figures in regard to the Canada Wire and Cable Company are \$3,450,000 up to February 28. Canada Wire and Cable was much further advanced in production at that time than Anaconda Brass. The same discrepancy, if you wish to call it that, applies throughout the list in that some companies with an authorization of \$2,500,000 for working capital have not had a cent advanced to them yet, whereas another with the same appropriation or estimate has had \$230,000 advanced, another \$96,000, and so on, all depending upon the stage of production which they have reached.

[Mr. G. K. Sheils.]

By Mr. Bercovitch:

Q. Is Anaconda Brass Company a Canadian company?—A. It is a Canadian incorporation, sir; I presume it is under the supervision and control of the American company, but I would not want to make that as a statement for the minutes of evidence because I do not know. I know there is a Anaconda company in the United States, but what the control is I cannot say.

By Mr. Fournier:

Q. On page 1123 of *Hansard* appears the following item, "Electric Reduction Co. of Canada Ltd., Buckingham, P.Q., yellow and red phosphorous \$290,000, Canada." Can you tell me if this amount was made for extension of that plant or installation of new machinery?—A. No, I cannot tell you from memory whether that was an entirely new plant or an extension or what it was. That figure of \$290,000 is capital assistance, not working capital. There is an advance to the same company for working capital authorized by the government of \$350,000 of which up to February 28 nothing had yet been advanced.

Q. There is a further advance on page 1124 of \$131,000.—A. What is your question on that, sir?

Q. Would that be the same? Was it for extension of the other plant, because production is not the same?—A. That is not a working capital item; I know that. Whether it covered a new building or merely additional machinery, I could not answer from memory.

Q. Besides these two advances there is an advance of working capital of some— —A. \$350,000 authorized but none paid as yet.

By Mr. Mayhew:

Q. How is management fee arrived at for the operation of these government-assisted plants? Is it on a cost plus basis?—A. No, sir, it is not.

Q. I do not mean the cost of the project, I mean cost of material manufactured.—A. Do you mean, sir, is it paid on a basis of say three per cent on the cost of the product turned out by the plant?

Q. Yes.—A. The answer is no. It is usually a fixed fee of either so many dollars or hundreds of dollars per unit produced in the case of say tanks or guns or on the basis of a flat fee of so many thousand dollars per annum for supervising the operation of a plant producing chemicals or something like that.

By Mr. Bercovitch:

Q. Would that apply to the Anaconda Brass in the case of the advances which are made, appearing in the appendix?—A. The matter of supplying working capital to Anaconda is one which falls directly within the category I mentioned the other day, sir, where a company is operating a plant, quite separate and distinct from its commercial plant which was in existence prior to the war, and is operating this new plant on the basis of the government reimbursing it for all costs of the operation. Anaconda probably could borrow \$5,000,000 from the bank, but it would cost us 4 or 5 per cent to defray the financing cost of that loan and we can do the job more economically by advancing government money.

Q. Which is a saving to the government, in other words?—A. Yes—the plant is owned entirely by the government—you appreciate that; and the government is taking the entire output of brass from that plant.

By Mr. Graham:

Q. You may have already answered the question I am going to ask you now, and if you have done that say so. In advancing capital or working capital, either one, is there a standard form of agreement entered into between the company to whom the money is advanced and— —A. Oh, yes, a contract is entered into every time, sir.

Q. Is it a fairly standard agreement in each case?—A. Yes, it is.

Q. Has a copy of each type of agreement been filed with the committee? I think it would be very interesting to have that on the record unless it is a secret. If there is anything suggesting secrecy about it there is— —A. No, I would not think so except in the case of United Kingdom account where the usual restrictions to which I have referred apply.

Q. I suggest, Mr. Chairman, we ask Mr. Sheils to be kind enough to file for the information of the committee a typical agreement made by the government in connection with working capital and capital assistance.—A. One for capital assistance for purchase of machinery and one for working capital.

The CHAIRMAN: A standard form.

The WITNESS: We shall be very glad to file one of each of these.

By Mr. Cleaver:

Q. Then, as I understand it, there is a distinct difference between the nature of capital assistance and the nature of working capital; working capital is rather a loan which is repaid; is that correct?—A. Yes, sir; working capital advances may be termed progress payments. In reality that is what they are, progress payments against material which the government is going to secure from that contractor.

Q. During the course of the contract the entire amount advanced for working capital is repaid?—A. As we said the other day, sir, it is expected that such advances will all come back to the government in material which we will secure unless something occurs such as a cessation of hostilities where we would not recover our money out of goods in process etcetera which would not be saleable.

By Mr. Bercovitch:

Q. In other words it is progress payment?—A. Yes.

By Mr. Cleaver:

Q. Is the other type of capital assistance something along this line: in a Dominion-owned plant extensions are made and you supply the machinery and the company owns the machinery and owns the plant and it is not— —A. The crown takes title to the plant and machinery which is paid for by crown money.

By Mr. Harris:

Q. In connection with all these things, I presume after the budget is drawn payments on that budget would be authorized by progress certificates? —A. The advances of working capital to a company are not covered exactly by progress certificates; they are covered by the production of documentary evidence from the company to the effect that they will require within the next month certain additional working capital and when that has been checked by the financial and other officers of the department and these officers agree with the company's representations, then an additional amount of working capital is provided up to the amount authorized. The documents have the same effect as a progress certificate.

By Mr. Cleaver:

Q. As opposed to other certificates?—A. They have the same effect, yes; they are quite different in form, actually.

By Mr. Harris:

Q. They may not be much different in form as regards capital expenditure.—A. You mean capital assistance?

[Mr. G. K. Sheils.]

Q. Capital assistance.—A. Capital assistance really divides itself into two classes, the purchase of machinery, where in many cases the contractor does not handle any money at all in relation to it. His lists of the machinery which he will require are checked and rechecked by our departmental officers and Citadel Merchandising Company Limited might then actually buy the machines and pay for them out of the government appropriation, or the contractor might buy and pay for the machines and then, upon his submitting proof that a machine has been paid for and duly installed and upon it being checked and tagged by our inspector, he is paid the full sum which he has paid out for such machine. There is no progress payment involved. If, however, capital assistance is rendered with respect to the construction of a building the progress payment certificate might enter in, in that we would advance money to the contractor in proportion to the progress certificate duly signed by engineers evidencing that he had paid out certain sums with respect to such construction.

Mr. DIEFENBAKER: May I ask some questions arising out of the examination in connection with Anaconda and Canada Wire and Cable Company?

The CHAIRMAN: Yes.

By Mr. Diefenbaker:

Q. Would you tell the committee, Mr. Sheils, when it was that the estimated amount of capital advanced to Anaconda and Canada Wire was determined at \$5,000,000 for both? When was that decision made?—A. I am afraid I could not with any definiteness, sir, because my memory is not good enough to recall the dates of all such orders in council going through.

Q. Well, would it be since the list that was published in *Hansard* on the 25th of February?

Mr. CLEAVER: Mr. Diefenbaker, can you give me a reference in *Hansard* to the filing of that appendix, as there might be some explanatory note there?

Mr. DIEFENBAKER: It was brought up on the preceding Friday and Mr. Howe promised to produce it.

Mr. CLEAVER: I do not think I have made myself clear. I wonder if you would give me the page reference of February 25, indicating the tabling of that statement, because obviously the statement tabled as an appendix on February 25 must end on a certain date, and it is not so stated in the appendix.

The CHAIRMAN: The exact date of the order in council can be obtained.

Mr. DIEFENBAKER: Yes. I want to follow this through, if the information is available now so that the examination will not be disrupted by having to return to this again.

The WITNESS: I am sorry, I cannot answer any more definitely than I have, sir, but I shall be glad to obtain the exact dates of those two orders in council.

By Mr. Diefenbaker:

Q. You will be able to give us that information the next day we meet?—A. Yes.

Q. Now, then, up until the time that it was decided to advance a total of \$5,000,000 to the Anaconda American Brass Company Limited for working capital, had this company been producing any similar articles or a like article to that which it will be required to produce following the advance of this further capital? In other words, is it the same type of material that the company is required now to produce as it was producing prior to the decision that a further advance of working capital should be given?—A. I could not say, sir, whether or not the Anaconda company was previously producing the exact type of sheet brass which it is to produce in this new plant.

Q. You will be able to get us that information?—A. I would suggest that the officers of the department who dealt specifically with that matter be asked that question and I know they will be able to answer it specifically.

Q. Could you not secure that information for us?—A. Oh, yes, I could secure it; but it is my understanding, sir, that the officers of the department who deal specifically with these matters are to be called before the committee. They will naturally have much more detailed knowledge of these matters than I can possibly have, and I therefore suggest that they might better be examined on such subjects.

Q. Yes, that is perfectly all right, but I want to get the general picture, and I want to get the general picture from yourself. Now then, in view of the fact that an advance of working capital estimated at \$5,000,000 has been determined on can you use the figures showing how much cheaper this brass will be delivered to the government than would have been the case had no working capital been advanced?—A. Could I give that to you?

Q. Yes?—A. No, I cannot.

Q. Can you get that information?—A. I think that the officers who dealt specifically with that matter can produce that information.

Q. A while ago, Mr. Sheils, you made the statement that in consequence of advances of working capital without interest the government received these products at a lower price than otherwise would have been the case?—A. Yes.

Q. What reason have you for making that statement unless you, yourself, have the figures available?—A. I am making that statement based on the obvious fact that if a company has to go out and pay 5 per cent interest for money and we have to repay to them all their costs we are making an economy right there in operating with 3 per cent money. That was my statement.

Q. Supposing there is a unit price applied, if there were a unit price before the advance and a unit price to-day, would it make any difference whether interest was payable or not?—A. The question of a unit price does not enter into a contract such as we are speaking of where the government is defraying all of the costs of the project. If there should be a unit price fixed in relation to a project such as that the difference between the costs actually incurred and such unit price would automatically come back to the credit of the government, because the government owns the whole of the project and the selected contractor is operating the project for the government, as the government's agent, and any spread between any fixed unit price which might be set up for purposes of expediency in bookkeeping or for any other reason and the actual cost of producing the said commodity would redound to the credit of the government, so that we come back to the matter of the actual cost of the money used in financing the project.

By Mr. Graham:

Q. Do you apply this type of assistance to a manufacturer to reduce his cost on the article to the government as compared to say the prevailing unit price?—A. In the production of the products of which I speak, sir, the government is obligated to pay all the costs.

Mr. GRAHAM: Yes.

By Mr. Mayhew:

Q. The government has auditors in each of these plants?—A. Yes.

Q. Would not these auditors be able to answer Mr. Diefenbaker's questions?—A. With respect to the production of brass in Anaconda, they will not be able to answer these questions yet because production has not proceeded far enough to ascertain exact production costs; but with respect to the production of other items which have advanced further the exact cost of production could

[Mr. G. K. Sheils.]

be ascertained. But you come back then to the question of what would have been the cost had the government not been in the picture, and that involves a lot of estimating on this and that factor.

By Mr. Bercovitch:

Q. Is there not a market price for brass?—A. Oh, yes.

Q. Well, why not use that market price as a guide or standard?—A. Yes, but as I said a moment ago, if we used that market price it would merely be as a convenient figure for recording the transfers of brass, we will say, between the producers and the secondary contractors—

By Mr. Mayhew:

Q. You have the same method of tracing or control—

The CHAIRMAN: Just a moment, Mr. Mayhew, please.

The WITNESS: If we used any ruling price or market price for brass or for any other commodity in connection with our transfers of that commodity from the producing plants to the contractors who then use it, these would merely be bookkeeping entries, and the actual cost to the government of the product comes back to the actual cost incurred in the manufacture of the same because the spread between that cost and the bookkeeping figure used for the recording of transfers comes back automatically to the credit of the government.

By Mr. MacInnis:

Q. Is the Anaconda company producing just sheet brass, or something else, a finished article of some kind?—A. You mean, prior to the war?

Q. No, under this government contract.—A. In this government-owned plant my information is that it is producing sheet brass.

Q. Sheet brass only?

The CHAIRMAN: May I suggest that this whole Anaconda matter should be dealt with by the committee as one of the specific matters of inquiry, and that we now proceed with the general statement that Mr. Sheils was making.

By Mr. Bercovitch:

Q. Are we going to have the contract with the Anaconda company produced?—A. I did not get your question.

Q. Will the contract with the Anaconda company be produced?—A. Yes, there is no reason why it should not be produced.

By Mr. Harris:

Q. Just before you leave this subject, the definition made by Mr. Bercovitch is quite right and sound; there is a standard price for brass whether it is brass tubing or brass plate or whatever the commodity happens to be; the point that I would like to have elucidated is this, there is a firm that is getting not only capital assistance, but working capital assistance to produce a certain article—brass tubes, or brass plate—for which there is a standard price paid in the United States and Canada, set by the industry in the United States; then the shop that has no working capital is putting in a competitive bid with the firm that has working capital supplied to it, and consequently such a firm is out of court. Now, what provision is made by your department, Mr. Sheils, to take care of such a contingency?—A. I did not follow your question. Are you dealing with brass specifically in this case?

Q. Any commodity that has a set standard price for its basic material, and then those who tender on the finished article in the one instance, one firm has working capital provided, the other does not have working capital provided; you get two prices in, a price from the firm that had working capital would be in

one respect lower than he who tenders providing his own working capital. Is cognizance taken of that when tenders are considered by the department; that for one working capital is provided and for the other it is not?—A. I do not know that we have ever had any such case where we have provided working capital to one contractor to manufacture a commodity X and there is another manufacturer of commodity X who has not been provided by us with working capital and who is bidding against the first contractor. I have no knowledge that we have ever had any such case as that.

The CHAIRMAN: May we proceed now to the subject that you were about to deal with, Mr. Sheils; government-owned companies.

The WITNESS: I was going to run over briefly, gentlemen, the government-owned companies which have been incorporated, and the method of financing of each. The purpose of each such company has been stated frequently in the house by the Minister and I will not refer to that feature at any length, other than possibly to relate it to the financing.

The first company, taking them alphabetically, is Allied War Supplies Corporation, which acts in a supervisory capacity in relation to a number of other projects. This company has no permanent assets being purely a supervisory company. Its expenses consist of administrative expenses and these are financed by means of an imprest account which is reimbursed by the treasury periodically upon receipt of statements of disbursements therefrom by the company. The present imprest fund of Allied War Supplies Corporation is \$75,000. When substantial expenditures have been made out of that it is reimbursed.

Atlas Plant Extension is a company which was incorporated—

The CHAIRMAN: Please give the full name of the company, Mr. Sheils.

The WITNESS: Pardon me. Atlas Plant Extension Limited was incorporated for the purpose of extending capital assistance to Atlas Steels Limited and supervising that operation and to serve as the medium through which recovery of funds will be made from the operating company. Funds are provided by the government based on the estimated requirements of Atlas Steels Limited which are submitted to and checked by Atlas Plant Extension Limited and then submitted to us for payment.

Citadel Merchandising Company Limited was incorporated for the purpose of centralizing the control and acquisition of machine tools necessary for the carrying on of Canada's war effort. In the carrying out of this work Citadel, in some cases, purchases machine tools on its own account, which machine tools are later sold to contractors working on war projects. Funds are provided by the government on an imprest fund basis. Here also reimbursement is effected by the submission to the department by Citadel of detailed reports of expenditures. These expenditures are in turn charged against the authorized projects of the various contractors. The company's administrative expenses are treated similarly on an imprest account basis.

By Mr. MacInnis:

Q. May I take it, Mr. Sheils, that the directors of these companies are the same, or has each company a different set of directors?—A. Different, sir.

By Mr. Cleaver:

Q. What department has the responsibility for keeping the inventory records of all these machines which the government has purchased and has loaned out?—A. The Department of Munitions and Supply, sir. I explained on Friday, report No. 4, the operation of what we term the Central Inventory Records Division, which keeps that inventory. My explanation appears in the last few pages of report No. 4.

[Mr. G. K. Sheils.]

Fairmont Company Limited is a company incorporated for the purpose of ensuring the acquisition and availability of two commodities which are essential for Canada's war effort. I do not think that the commodities which these special companies are handling have been stated in *Hansard*. If I am wrong in that perhaps someone will correct me. This is one of the commodity companies and handles two such commodities.

Melbourne Merchandising Limited handles another commodity and Plateau Company Limited handles another, all of which are essential to the war effort. Funds are advanced to these companies from time to time to meet their demands. They give us a statement at the beginning of each month as to the expected arrivals of merchandise during the coming month and the payments which they will have to make and funds are advanced to cover those payments.

Federal Aircraft Limited was incorporated for the purpose of supervising and facilitating the production of Avro-Anson aircraft in Canada. This work includes (a) the programme of supervision; (b) centralized buying of certain component parts, instruments, etcetera; and (c) the company has also been authorized to engage in the production of certain components such as fuselages and spares. Funds provided by the government are divided into three categories: namely, administration expenses; these funds are provided to the company monthly from an allotment expressly authorized for this purpose: centralized purchasing; payments for goods purchased under this programme are made direct by the chief treasury officer of the department on the submission of properly certified vouchers; this money is not paid over to the company in advance but after the company has made purchases and submitted invoices, these invoices are paid by treasury: working capital for manufacturing purposes, these funds are provided on budget estimates submitted by officials of the company from month to month of their actual requirements.

Research Enterprises Limited: This company was incorporated for the purpose of manufacturing optical glass, instruments and certain secret equipment. Funds necessary for the operation of this company fall into two categories; namely, (a) for the purpose of production, and (b) for the purchase of plant and equipment. Funds for production purposes are furnished monthly in advance by the government based on estimates of actual requirements. Disbursements for plant and equipment are made by the chief treasury officer of the department against properly certified vouchers and progress estimates. Title to plant and equipment is of course vested in the Crown. The plant is placed at the disposal of the company for production purposes. A formal contract between the department and the company covers that arrangement.

Small Arms Limited is another producing company; it produces rifles and their components. Again, the funds are divided into (a) required for manufacturing purposes and (b) required for construction of plant and procurement of machinery and equipment. Provision of the funds required for manufacturing purposes again is made monthly in advance on the basis of budget estimates properly certified by officials of the company. The assets of the company are vested in the Crown. Any payments which the company may make with respect to such assets; that is, in connection with the construction of the plant or the procurement of machinery, are transferred periodically to the government account.

We have recently incorporated another company known as Wartime Housing Limited. This company is to undertake the provision of necessary housing facilities for workers on munitions and supplies and defence projects and their families in communities where, due to the war effort, there is a lack of such facilities and it is considered that the war effort is being impaired thereby; as, for instance, the inability of a war contractor to get working men to stay in his community because they cannot get adequate housing for themselves and their families.

By Mr. Black:

Q. Who decides where these developments are to take place?—A. The directors of the company who have at their disposal all the information in the possession of the Dominion Housing Administration make a recommendation to the department and if such recommendation is approved by the department and the money is voted by the privy council the project may then proceed.

In the cases of all the government-owned companies to which I have referred the Auditor General of Canada is the auditor of the company and has the power, which he of course exercises, of having his auditors in the company at all times, or at any time he wishes to have them there—it if is not a large company he may not have an auditor permanently stationed in it but may merely have periodical inspections made to see that the records and all the financial transactions are being conducted in accordance with approved government procedure and that everything is under proper control.

By Mr. Cleaver:

Q. Is it the intention of Wartime Housing Limited to actually construct homes where needed, or do they simply act in an advisory capacity in regard to the letting of contracts to provide contractors for the erection of homes?—A. That is a matter of policy which may change as they go along, in order to keep pace with changing conditions, but the plan at present is, I believe, that they will, after getting the required approval on a project, let the contract for the actual construction of the houses to established contractors.

By Mr. MacInnis:

Q. Have any houses been constructed by this company?—A. No, sir, not yet. The company was incorporated only a few weeks ago.

By Mr. Cleaver:

Q. Has any programme or table been set up as an indication of what rental will be charged for the houses to be built by Wartime Housing Limited?—A. I know that the directors of Wartime Housing Limited have that matter under consideration, sir, but I have not as yet seen any recommendations resulting from their deliberations.

By Mr. Marshall:

Q. Who was responsible for the appointment of the directors of Wartime Housing Limited?—A. The minister of the department is responsible for the appointment of the directors. The usual procedure is that the minister selects the president of the company and possibly some of the directors. The president then makes recommendations to the minister as to the other directors and if the minister approves he asks these gentlemen to serve on the board. The resignation of each of these directors is written out and signed immediately he is appointed and is placed in the hands of the minister. Any director can thus be removed and replaced at any time at the discretion of the minister.

Q. Well, Mr. Chairman, the reason I asked this is that it is rather interesting to note that there is not a western representative on the housing board. The president is from Hamilton, Ontario, the directors come, one from Montreal, one from Toronto, one from Halifax and one from Winnipeg and there is one from Saint John, New Brunswick.

The CHAIRMAN: Where do you put Winnipeg, Mr. Marshall?

Mr. MARSHALL: Well, Winnipeg is the gateway to the west but it is not in the west.

The CHAIRMAN: That is news to us.

[Mr. G. K. Sheils.]

The WITNESS: I might mention, sir, that the principle behind that selection is this: We attempted to see that this board of directors had on it a representative from each of the provinces where it was currently anticipated that the company would have to undertake housing work, and at the time these directors were selected there was no thought that we would be obliged to engage in such a project in Saskatchewan, Alberta or British Columbia. Should it be found necessary to engage in projects in those provinces my personal understanding is that we would endeavour to obtain a director from such provinces. You will notice that there is on the board a director from Nova Scotia. A project must be undertaken in Halifax. Saint John, New Brunswick, is another place where it will probably be necessary to undertake some construction; and the Manitoba director was selected because it was thought that construction may have to be undertaken near Winnipeg.

By Mr. Harris:

Q. Is it the policy to sell these homes to the employees wherever possible?

—A. That question, sir, would come into the same category as the question regarding rentals. As such my answer is the same as to the previous question, *i.e.*, I know that the directors of the company have that matter under consideration, but we have not yet received any recommendations from them.

By Mr. Bradette:

Q. What is the connection between Wartime Housing Limited and the provincial governments? I mention that because they are going to enter into communication with the different municipalities where these houses will be erected and it follows that you must of necessity deal with some of the regulations of the provincial government. Will there be any of the directors of that company acting in liaison between the provincial authorities and the federal department? You certainly will have conflict in some sections between provincial regulations and what your housing company does. What provision has been made to meet that point?—A. I mentioned a moment ago that Wartime Housing Limited has available to it the staff and services and all the information in the possession of the Dominion Housing Administration. I am told that the Dominion Housing Administration has a wealth of data regarding the regulations of the various provinces and I could not conceive of the officers of Wartime Housing Limited not making use of the information thus available to them. There is, of course, the basic principle that any building constructed by the Crown in these various provinces the title to which vests in the Crown would not be subject to municipal or provincial taxation, and that is a point on which there will probably be considerable discussion with some of the communities.

Mr. BRADETTE: There certainly will.

The WITNESS: What Wartime Housing Limited will recommend with respect to this point I could not say. It is a matter which I know they are considering and they may make some recommendation to the department regarding it.

By Mr. Pottier:

Q. Have any plans been developed as to the type of house—single, double, or apartment building—what are they going to be like?—A. There again, sir, I would not like to try to anticipate a decision which has not yet been made. I do know that they are considering several types of houses, but as to which type or types they will recommend I could not say.

By Mr. Cleaver:

Q. Is there any direct representation of the Rentals Control Board on this Wartime Housing Limited? The operations of the Rentals Control Board seems

to have restricted the initiative of public capital in the field of house building. It seems to me that the Rentals Control Board should have some representation on Wartime Housing Limited so that these two bodies could work in harmony rather than against each other.—A. There is no such tie-in at the moment, sir.

By Mr. Pottier:

Q. Is there not a plan that the occupants of these houses will only be persons on war work?—A. The order in council refers to war workers and their families, sir.

Mr. HARRIS: Mr. Chairman, may I put a few questions on the record not necessarily for answer now because perhaps Mr. Sheils cannot answer them now, but for answer later on? The first question is—many of these houses are not yet built and perhaps they may not even have been contracted for—has this organization, National Housing Limited,—

The WITNESS: Wartime Housing.

By Mr. Harris:

Q. Wartime Housing. Have they agents presently negotiating sales of the projected houses; if so, who are those agents, when were they appointed, and how many sales have they consummated up to date?—A. The first board meeting of Wartime Housing Limited was held only yesterday in Toronto and the answer to these various questions would be that they have not as yet moved in the direction of which you speak.

By Mr. Fournier:

Q. Is that corporation to go into the contracting business directly itself or give out contracts to private firms for the building of those houses?—A. I said a moment ago, sir, that I think the policies which the directors of the company will recommend may change as time goes on but that my understanding is that, up to the present, they intend to let contracts to existing contractors for the construction of such houses.

Mr. GRAHAM: I think with regard to this whole housing matter that Mr. Howe explained in the house it is confined solely to the Department of Munitions and Supply to solve a wartime problem. I think the whole question is of very great importance to Canada because this truly will give many a lesson and many a valuable bit of information to us. I suggest that we ought to let the matter rest until a little later on in the course of the committee's work and we can then ask some official of the Wartime Housing to appear before the committee. I think it is a very important phase of Canada's war effort that we are dealing with now and perhaps Mr. Sheils finds himself in the position of not being able to answer for the policy or the plan of that particular company.

The WITNESS: The policy is very much in a state of evolution yet, sir. As I have just stated the first meeting of the board was held only yesterday. I think your suggestion is a very good one, if I may say so, because in a few weeks the company will have developed something more definite in the way of a policy. I know the president of the company would be glad to appear at that time and answer any questions.

By Mr. Black:

Q. Communities which have a shortage, such as Sydney or Truro, will have to work in this way: The local authorities would be expected to make representation to this board.—A. You mean before anything is done?

[Mr. G. K. Sheils.]

Q. Before a decision is made to start a program of construction.—A. No, it would not be necessary for a community to make such a representation. Wartime Housing Limited could arrive at a conclusion that houses were necessary in a community to prevent the war effort being slowed up without the community—

Q. There is a very distinct shortage in Sydney, Nova Scotia, and Truro, due to war industries there and perhaps the big military camp ten miles removed from Truro which includes population incidental to this military camp and the war industries.

Mr. MACINNIS: If there have been no expenditures I think we are a little bit ahead of ourselves.

The CHAIRMAN: I think so. I think the suggestion made by Mr. Graham is an excellent one.

Mr. MARSHALL: Mr. Chairman, I should like to have Mr. Sheils place on the record a list of the directors of the various companies.

The WITNESS: I would be glad to do that.

Mr. MARSHALL: We have it in this form from the Director of Public Information, but it is very difficult to get at.

The CHAIRMAN: Mr. Sheils has given a list of publicly-owned companies and a list of the directors of each can be filed.

The WITNESS: Yes, sir; I shall be glad to place that on the record.

By Mr. Graham:

Q. May I get a little information as to the mechanics of the set-up? Are these companies incorporated under the Dominion Companies Act?—A. That is right, sir.

Q. And the shares are all held—first of all, who are the incorporators?

Mr. BORDEN: The shares are all held by the Minister of Munitions and Supply except the shares necessary to qualify directors of the company, which are registered in their names, endorsed in blank and turned over to the minister together with resignations of all the directors.

Mr. GRAHAM: Those nominated by the minister constitute the board of directors?

Mr. BORDEN: Correct.

Mr. GRAHAM: Do the board of directors settle matters of salary, administrative remuneration?

Mr. BORDEN: The directors all act without remuneration.

Mr. GRAHAM: All act without remuneration?

Mr. BORDEN: Yes.

Mr. GRAHAM: That is the invariable rule now of these companies?

Mr. BORDEN: That is correct.

The WITNESS: That is, all the directors. You are not speaking of staff?

Mr. MAYHEW: You suggested, Mr. Chairman, that we postpone any discussion of the Wartime Housing Limited until after. It seems to me it would be better for us to ask questions and get information while the company is in process of formation rather than wait until it is fully organized and then start to tear it to pieces again.

Mr. GRAHAM: Is not that a matter of policy?

Mr. MACINNIS: It is, and the policy is beyond us.

Mr. MAYHEW: It is quite all right to say it is a matter of policy. As far as we are concerned we are not supposed to have anything to do with matters of policy. If we go along in the meantime and find something that is out of line we are compelled to make recommendations that may change that policy.

The CHAIRMAN: May we go this far, Mr. Mayhew, and in the meantime defer consideration of Wartime Housing?

Mr. MAYHEW: We defer consideration of what they are doing because they are not doing anything, so we have nothing to complain about; but at the same time there is a policy, and would it not be possible to seek advice on what they are doing, as we are a cross-section of all Canada?

Mr. FOURNIER: Mr. Chairman, I suggest that we leave this aside and allow every member of the committee to read the Act carefully. Mr. Sheils has been reading what has been stated in the Act in section 6 when these companies were organized. He has stated that they have share capital and that the directors were not paid and so forth. That is all mentioned in the Act.

The WITNESS: The next item, gentlemen, to which I should like to refer is the matter of the setting up of controllers which, as I said at the outset, is one of the means which the department uses to carry out its function of ensuring that there will be an adequate supply of various commodities in Canada for the carrying on of the war effort. These controllers at the moment consist of the following: timber controller, Mr. L. L. Brown; machine tools controller, Mr. Thomas Arnold; metals controller, Mr. G. C. Bateman; motor vehicles controller, Mr. J. H. Berry; oil controller, Mr. G. R. Cottrelle; power controller, Mr. H. J. Symington, K.C.; steel controller, Mr. H. D. Scully; controller of ship construction and repair, Mr. D. B. Carswell. An order in council has been passed appointing each of the said controllers and fixing their powers. These orders in council are, of course, a matter of record and are undoubtedly familiar to all members of the committee. The controllers acting jointly from what is known as the Wartime Industries Control Board. The chairman of that board is Mr. H. D. Scully, whom I have cited as the steel controller. He is, as you know, an officer of long standing in the Civil Service of Canada in the position of Commissioner of Customs. Wartime Industries Control Board holds formal meetings every second Tuesday at which each of the controllers reports on his particular functions and problems and what he proposes to do or has done to carry out his duties. General discussion takes place at such meetings seeking to avoid any conflict between the moves of one controller and another, and seeking also to ensure that when one controller puts forward to the minister some recommendation for action in his particular field the other controllers are fully advised of and are in agreement with that recommendation and will be able to take such concurrent steps as might be necessary to prevent such action having any adverse effect on the economy of the country as a whole.

In addition, of course, to these formal meetings every second Tuesday, consultations between two or more controllers are held whenever needed. A great many such consultations take place because these controllers are grappling with large problems and they are all men who realize that no one man can be expected to have all wisdom within his own brain. They therefore like to talk with other people and get the opinions of other men who are grappling with similar problems.

Up until a short time ago the controllers had certain duties with respect to the handling of priorities. That is, the steel controller would be approached to decide whether certain types of steel, the supply of which might temporarily be running behind demand, should be allocated to this war project or to that, or whether any of it should be allowed to go to peace projects. This formed quite an important part of the duties of certain controllers up until a short time ago. At that time we realized that this matter of priorities would speedily become a full-time task for a branch of the department separate and distinct from controllers or from any other purchasing or production branch, and we set up the Priorities Branch in our department. That branch is under the control of Mr. R. C. Berkinshaw, as director general. It operates in this manner, with Mr. Berkinshaw at the heart of the central office, i.e. there are placed in each of the

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purchasing or production branches of the department and in offices of the various controllers men whose duty it is to deal with matters of priority for their respective units. These, while placed in the said units are under the direct staff control of the director general of the priorities branch. Using the old army terms of line control and staff control, these men are under the director general of the branch in which they work in matters of line control, but from the point of view of staff control they are under the director general of priorities. This branch is just being whipped into shape; it is a big job. The problem is made very much more complicated by the situation in the United States on priorities and by the fact that Canadian war contractors must procure quite a substantial volume of raw material and components and parts from the United States to enable them to carry out their contracts with us. And as I mentioned a few days ago in reply to questions, it is necessary that our priorities system fit in with the United States priorities system, otherwise we would find Canadian orders in the plants of United States contractors merely being pushed into the background.

I have in my files an exhibit, being circular No. 1 of the priorities branch; it is the only circular which has yet been issued, so you will see the priorities branch is quite a new addition to our department. This circular deals at some length with the intention of the department as to the operation of the system. I say "the intention" because it is possible that before the system gets fully into operation we may make certain changes in this. The director general, Mr. Berkinshaw, is obliged to go back to Washington the end of this week for another consultation with the authorities in the United States in relation to priorities and it is quite within the realm of possibility that on his return he will say that we should make certain changes in this circular which has gone out.

By Mr. Graham:

Q. Who is Mr. Berkinshaw?—A. He was general manager of the Goodyear Tire Company. He is serving with us without remuneration, released by the company for the duration of the war. If it would be of interest to the committee, sir, I would be glad either to read this priority branch circular or place it on the record, whichever you think would be better.

Some **HON. MEMBERS:** Put it on the record.

The **CHAIRMAN:** It will be one of the exhibits.

By Mr. Cleaver:

Q. While you are on that point, the Citadel Merchandising Company, if I understood you correctly, has the power to buy machine tools in order to prevent shortages occurring in that regard. Has the Wartime Industries Control Board any such power to go and buy in advance raw materials as to which shortages are anticipated?—A. Yes, sir. I am glad you brought that point up. The individual controller may recommend to the minister and the minister may recommend to Privy Council that a certain reserve stock of a commodity be procured and in at least one case which comes to my mind, one of the controllers has acted under that authority and the minister has supported the recommendation and the Privy Council has seen fit to authorize the purchase.

By the Chairman:

Q. The function and duties of each controller are set out in an order in council?—A. Yes, sir. Would it be of interest to the members of the committee to have the respective orders in council filed as exhibits?

MR. CLEAVER: I think that is a splendid idea.

The **WITNESS:** I have them here and I will be glad to file them.

By Mr. Black:

Q. Why does not the coal controller come under your department?—

A. He is not in our department. He is termed the fuel administrator and comes under the Wartime Prices and Trade Board. He was appointed prior to the setting up of any controllers in our department.

By Mr. Marshall:

Q. Under what department is the Wartime Prices and Trade Board?—

A. The Department of Labour.

By Mr. Fournier:

Q. Is that circular No. 1 a lengthy document?—A. Seven pages, double spaced, about three and a half pages single spaced letter size.

Q. Do not read it.—A. You will understand it is necessary to introduce this system to the other branches in a certain amount of detail. That is why we have this rather lengthy document.

By the Chairman:

Q. No doubt it will be subject to change from time to time?—A. There is no doubt about it. This is circular No. 1.

There is another matter which I might cover, sir, if there are no other questions on controllers or priorities. Another branch of the department which is very important is the Arsenal and Small Arms Ammunition branch. Prior to October 1, 1940, the arsenals were under the direct control and supervision of the Department of National Defence. At that time it was decided to transfer the arsenals to the Department of Munitions and Supply; the reason being that we were securing from private contractors the same types of small arms ammunition and shells as the arsenals were producing and it was thought advisable to have the procurement of that S.A.A. and those shells all under one control. The funds which had been set up in the Department of National Defence appropriation for the operation of the arsenals were left in the National Defence appropriation for the balance of the fiscal year; that is, up until 31st March of this year, so that since October 1, while we have been supervising and directing the operations of the arsenals we have been drawing the money from the National Defence Department vote to do so. As from April 1 of this year the funds for the operation of the arsenals will be provided in the Munitions and Supply Department estimates. The arsenal branch will raise its own financial encumbrances and contract demands for signature by the minister if for over \$50,000 or by myself if for less than \$50,000, and our department will then function with respect to such contract demands just as we do on contract demands from National Defence.

By the Chairman:

Q. That branch is under whom?—A. Under Colonel D. E. Dewar, director general, arsenals branch. He was transferred with the arsenal from National Defence.

There are two or three other types of financial votes and expenditures which are handled by the Department of Munitions and Supply. I think it might be well to mention these, so that it will be seen that while we do not pay for goods which we purchase for National Defence, our department acting through the proper treasury officers yet has certain paying functions. For instance, the Department of Munitions and Supply treasury officers pay out the capital assistance to the private contractors referred to previously who require funds for the purchase of machinery or buildings. There are treasury officers attached to our department who pay these amounts upon proper certification. These

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officers deal with payment of capital assistance to the government-owned companies; in other words, the financing of the government-owned companies to which I referred in detail is handled through the treasury officers attached to the Department of Munitions and Supply. These officers handle also direct expenditure through our controllers for the purchase of reserve stocks of commodities provided these commodities are not among those for the acquisition of which these government-owned companies were set up. We may have a government-owned company buying a commodity and we may have a controller buying another commodity. Of course, if a government-owned company has been set up to deal in that commodity the controller would not be buying it. Our treasury officers also disburse working capital for a government-owned manufacturing company and for contractors working with the department on a cost plus management fee basis. These have all been referred to before. They also disburse the funds required for the administration of the department. These are the types of expenditure which are handled through the Department of Munitions and Supply, subject, of course, to all the usual governmental checks and safeguards as applied by the Comptroller of the Treasury and by the Auditor General of Canada.

If you wish to break off at one o'clock, sir, I would suggest that this might be a good place for me to stop because my next item has to do with "Other Branches and Activities of the Department of Munitions and Supply" and has regard to about fifteen Branches and Divisions of which I think it is important that you know and this will take perhaps an hour to cover.

Mr. CLEAVER: There is just one question regarding small arms arising out of what Mr. Sheils has covered which I should like to ask.

By Mr. Cleaver:

Q. What is the reason, Mr. Sheils, that the production of rifles and component parts has been set up under one of those government-owned companies, called Small Arms Limited, whereas the production of ammunition for these small arms is set up under arsenals and small arms ammunition branch of the department?—A. We had in operation, sir, at the beginning of the war in Canada two arsenals, one at Lindsay and one at Quebec and the arsenals branch represents an extension of those arsenals.

Q. You simply made no change in the set-up in regard to ammunition but manufacturing of rifles being a new industry you set it up under the new one?—A. There were also in operation in Canada at the time our department was set up certain private contractors making small arms ammunition and when we turned to those contractors for assistance in producing .303 ammunition we were dealing with people who knew their business. The arsenals branch therefore simply covers the expansion of the original arsenals, plus the handling of these contracts with private contractors for the production of small arms ammunition, whereas as you said, sir, military rifles were an entirely new item of production in Canada in this war. There had been no such rifles produced in Canada since the last war.

Q. What is the difference in the supervision that you as deputy minister of the department would exercise over the arsenals and small arms ammunition branch as opposed to the supervision which you would exercise as deputy minister of the department over Small Arms Limited?—A. The only material difference, sir, is that Small Arms Limited has a board of directors who exercise first supervision over the actual operation and then refer to the department their recommendations and their requisitions for funds and so forth; whereas in the arsenals branch there is no such board. There is instead a director general who deals directly with me. There is the same degree of supervision over the

[Mr. G. K. Sheils.]

government-owned companies as over the branches of the department except that in the case of the companies we bring in from the outside business world a board of directors to assist us in controlling the enterprise.

The CHAIRMAN: May we adjourn until 11 o'clock to-morrow?

Mr. BRADETTE: When are we going to sit in the afternoons? I think we have a full year's work before us.

The CHAIRMAN: It is exceedingly difficult to take a responsible officer such as Mr. Sheils away from his department all day. We shall adjourn now until 11 o'clock to-morrow.

The committee adjourned at 1 o'clock to meet to-morrow at 11 a.m.

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SESSION 1940-41
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

WEDNESDAY, MARCH 26, 1941

WITNESS:

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

WEDNESDAY, March 26, 1941.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Pottier, Ross (*Moose Jaw*), Thorson.

Mr. Henry Borden, K.C., General Counsel to the Department of Munitions and Supply, tabled typical forms of contracts and a copy of the contract with the Anaconda American Brass Company.

Mr. Borden also filed a list of Government-owned companies and Directors thereof. It was ordered that the said list be printed as an Appendix to this day's evidence. (See Appendix No. I.)

Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, was recalled. He resumed his statement on the various functions of his Department and was again questioned thereon.

Witness filed a statement showing the "estimated amount of working capital required by private companies from the Department of Munitions and Supply and payments made thereunder up to and including February 28, 1941 (for Canadian account only)" the said statement to appear as an Appendix to the evidence in lieu of the statement filed the previous day. (See Appendix No. II.)

Having concluded his statement explanatory of the functions of his Department, the witness was thanked by the Committee and retired.

In the course of the day's proceedings, Mr. Borden answered several questions on matters under his supervision as Counsel for the Department.

At 1.15 p.m. the Committee adjourned until to-morrow, Thursday, at 4 o'clock p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

March 26, 1941.

The Special Committee on War Expenditures met this day at 11 o'clock a.m. The Chairman, J. T. Thorson, presided.

The CHAIRMAN: Order, gentlemen. Yesterday Mr. Sheils was asked to file certain documents of one kind and another. Mr. Henry Borden, counsel for the department has some of these documents.

Mr. BORDEN: Mr. Chairman, the committee asked that we file with the committee a typical capital assistance contract. I have a number of copies here. I file one with you and the others can be distributed.

By the Chairman: (to Mr. Borden)

Q. Capital assistance contract?—A. Yes. The form is mimeographed. It operates in conjunction with general conditions M. & S. 343 B; and I have attached copies of these to the specimen for the information of the members of the committee.

The committee asked also for typical forms of working capital contracts; that is to say, contracts containing typical working capital provisions. I shall have one later this morning to file with you, Mr. Chairman. In the meantime, there are two types of these contracts, the one where we establish a bank account for a government-owned plant, the other type where, let us say, the transaction takes the form of a guarantee of a bank advance.

I am obtaining a copy of the first type to file with you, the second type I now file with you, sir, which is typical of that kind of transaction. This latter type is the kind of contract that comes before the committee to which Mr. Sheils yesterday made reference.

We were asked also to produce a copy of the contract with the Anaconda American Brass Limited. I have it here. I do not want anybody to be misled. The contract was in the first instance made between Anaconda American Brass Limited and His Majesty's government in the United Kingdom of Great Britain and Northern Ireland on the 10th of September, 1940, and was assigned to the Canadian Government on the 18th day of October, 1940, to take effect as of the 1st of September, 1940, for Canadian account. It was purely an error that the party to the contract was made the United Kingdom rather than His Majesty's Canadian government at that time. That is the construction contract, Mr. Chairman.

By Mr. Bercovitch: (to Mr. Borden)

Q. Was it an error?—A. My information, sir, is yes it was purely an error, and that was my information at the time when the matter of assigning it came up. I have not looked into that since.

We were asked also to give the dates of the orders in council for working capital to the Anaconda Brass Company and the Canada Wire and Cable December 11, 1940. The Canada Wire and Cable Company order in council Company. The Anaconda Brass Company order in council is P.C. 7268, dated is P.C. 553, dated January 24, 1941. The amount with respect to the Anaconda Brass Company order in council is not to exceed \$150,000—necessary to enable the company to proceed with the actual production of brass without delay. The amount referred to in the Canada Wire and Cable order in council is

\$4,198,000, to provide the company with adequate working capital to proceed with the actual production programme.

We were asked also to give the date as of which the appendix tabled by the Minister of Munitions and Supply in the House of Commons and referred to in *Hansard* on February 25, 1941, is made up. I am advised by officials of the department that this appendix in *Hansard* was made up to December 31, 1940.

We were asked also to produce a list showing all directors of government-owned companies, and I file that with you, sir.

Q. Mr. Borden, I should like you to look into this matter of the Anaconda contract and see if the original contract was made with the American company—I mean by that, the real American company.—A. This is the original contract (exhibiting). It was made on the 10th of September, 1940, to take effect as of the 1st of September, 1940.

Q. Assigned— —A. Anaconda American Brass Limited.

Q. Transferred by them to the Canadian company?—A. No; according to the document I have here, Mr. Bercovitch,—

Q. Did you not say originally that the Anaconda contract was with the Anaconda company and subsequently transferred by them to the Canadian company?—A. No, sir. The contract was made by the Anaconda American Brass Limited with His Majesty's government in the United Kingdom of Great Britain and Northern Ireland. Subsequently on the 18th of October, 1940, the contract was assigned by His Majesty's government in the United Kingdom to His Majesty's Canadian government, and that is done by document attached to the original agreement made between the two governments and the Anaconda American Brass Limited.

Q. It is Anaconda American Brass Limited that is now in the contract?—A. Let me make it quite clear. This contract, sir, is for the construction of a plant in Canada. The operating contract has not yet been executed by anyone with Anaconda. There is yet no operating contract executed. Does that make it clear?

Mr. BERCOVITCH: Yes.

The CHAIRMAN: Now, gentlemen, with regard to the matter of the exhibits, Mr. Sheils in the course of his evidence has referred from time to time to certain documents. Copies of these have been prepared and I propose to list these when they are prepared in their proper numerical order so that the list of exhibits will correspond with the evidence given from the beginning. It will take some days, I imagine, before all of these copies are available; in the meantime I will give no numbers to these exhibits that are filed to-day so that we can preserve the numerical order of the exhibits as they have been referred to from time to time by Mr. Sheils. Mr. Sheils has some further comments to make with regard to the matter of working capital assistance which he dealt with yesterday.

Mr. G. K. SHEILS, Deputy Minister of the Department of Munitions and Supply, recalled:

Mr. GRAHAM: There is one question I wanted to ask Mr. Sheils with reference to the contract filed by Mr. Borden.

By Mr. Graham:

Q. You mentioned that there are two types of contracts, one where the government advances money directly and another where they guarantee advances by a bank to the company. Would the bank involved loan the money on the guarantee of the dominion at the same rate as the dominion government would charge the company if the money were advanced directly from the bank?—A. No, sir.

Q. It would be a higher rate?—A. Yes.

[Mr. G. K. Sheils.]

Q. That is what I want to know, Mr. Sheils, in view of your statement yesterday that the department recognized the saving on the defence contracts. Why is not that policy pursued in all cases?—A. You will recall, sir, Mr. Borden mentioned that this particular type of advance is the one which comes before a special committee consisting of the Auditor General, the Comptroller of the Treasury and Messrs. Borden and Henry of our department. This bank loan guarantee, or this particular type of advance or loan, is given only in a very few special cases. I think I can explain the use of this type of advance or guarantee something like this, i.e., that it is usually used in the case of a contractor who is carrying out some government contract right in the same plant as his normal domestic work, using the same supervision, the same foremen, et cetera. In many cases also raw materials, work in progress and so forth are intermingled, and it is not considered practicable to physically segregate the government contract from his domestic work. Such a contractor may require some further banking assistance or further financial assistance and the bank may take the attitude that it is not prepared to grant him a further loan unless the government agrees that it will guarantee such additional loan. In such cases, after careful review by this committee, and after the committee has worked out and written into the contract all the safeguards which it can visualize, the government may guarantee the bank's further advance. In so doing the government will usually take advantage of the security which the bank already has from the contractor under section 88, and the contract will provide that payments to be made by the government to the contractor for materials to be delivered to the government under this particular contract will be made direct to the bank and will be applied against that portion of the loan which the government has guaranteed so that this part of the contractor's bank loan is repaid first. Various other safeguards may be worked out by this committee having regard to all the circumstances of each case. The basic reason for dealing with it in this manner rather than by our putting up the money direct is that it is not considered possible to segregate that particular contract from the regular domestic business of the contractor. Does that answer your question?

Q. Yes. May I ask this: I have not seen the other contract that we were referring to where the government advances money direct to a company; does the company pledge all of its assets for repayment?—A. I do not think anything like that takes place in such cases. May I, however, ask Mr. Borden to answer that question; he is more familiar than I am with the preparation of these particular contracts?

MR. BORDEN: There are two or three types of these contracts: First of all you have the type of working capital advanced which in effect is not a working capital advance at all, it is an imprest bank account to a company which is operating a plant consisting of government owned machinery and equipment on what, let us call it, is a management fee basis. That is the imprest bank account which we have been referring to as working capital advance. That is done without interest because it is not a case of our buying the product of that plant, it is merely a case of providing productive capacity and taking the whole of the output. The other type of transaction where working capital as such is advanced as either a guarantee or an advance is, let us say, a type of transaction where the bank is guaranteed with respect to the money of the bank advanced to the contractor; the government guarantees the bank. That is the second type of transaction,—where the contractor pays the rate of interest that the bank imposes upon the loan which the contractor gets from the bank, and the government merely guarantee that amount, subject to certain safeguards set out in the guarantee. But I want to make it perfectly clear that while that type of contract comes before the committee which was referred to, the committee in its discretion recommends the type of transaction to be entered into, and while in certain instances it has recommended that the transaction be

carried out by way of bank guarantee, nevertheless it might not necessarily be that that type of transaction or, that type of contract would always be entered into. The government gets an assignment—in these contracts where the bank has been guaranteed—from the contractor of all payments to be made by the government to the contractor. These payments are made directly into that bank account. It is a revolving credit in the bank. It is a fluctuating account.

By Mr. Graham (to Mr. Borden):

Q. I get that point, but I can't see this; the company that borrows from the bank pledges its security to the bank?—A. That is right.

Q. I mean, all of its assets?—A. Right.

Q. Is there any money advanced by the government to the company when it has mixed up government work with its own work?—A. Well, in that type of transaction, the first one, the government would be subrogated to the rights of the bank under that security.

By Mr. Graham (to Mr. Sheils):

Q. That is right?—A. Correct.

Mr. BORDEN: Now, there are possibly two or three types of transaction that come to my mind where advances have been made in possibly a mixture of commercial and government business and in those cases, I have one particularly in mind—definitely we are taking a mortgage on all the fixed plant and equipment not owned by the Crown, and we take a chattel mortgage on inventory and an assignment of accounts receivable.

By Mr. Graham (to Mr. Borden):

Q. And it is a personal covenant of the company?—A. Quite right.

Q. Yes?—A. Oh, yes.

Q. That is what I wanted to know.—A. Not only that, we have complete hold on the amount of working capital being advanced from time to time.

Q. That is fine, thank you.

The CHAIRMAN: Before Mr. Sheils proceeds, the clerk has called my attention to one of the documents produced by Mr. Borden giving a list of all the directors of the government owned companies which Mr. Sheils described yesterday; should that be printed as an appendix to to-day's proceedings or filed as an exhibit?

Mr. CLEAVER: I think it should be printed, Mr. Chairman, so that that information will be available.

The CHAIRMAN: It might be of immediate value to us if that list were printed as an appendix to to-day's proceedings.

Mr. BERCOVITCH: Does it give the names of the companies?

The CHAIRMAN: It gives the names of the companies, the head offices and the names of the directors.

By Mr. Harris: (to Mr. Sheils)

Q. Along the same line as the question Mr. Graham was asking, I would like to ask a further question: Is it the policy of the department to keep clear of transactions such as the one you described where it is necessary for the department to go in and take a chattel mortgage and so on; that was a misadventure, I would imagine, that particular case.—A. We take on as few as possible transactions like that.

Q. As a matter of policy you do not take them on at all?—A. We try not to.

Q. It is the only way you have to do it?—A. We like to keep out of these involved situations as much as possible.

[Mr. G. K. Sheils.]

Q. As a matter of policy you do keep out of them?—A. We do endeavour to keep out of them as much as possible.

Q. As a matter of policy you keep out of them?—A. Our policy is to keep out of them if possible.

Q. The only reason you are in that position in the case recited was that you had to do it to protect your interests?—A. It might be a case where this particular contractor is a specially well qualified one to undertake a certain item of production, such as a very special type of instrument or something like that, and after looking over all the contractors in the field this man is selected by the purchasing or production officer as being the one far and away the best suited to do the work, and it is then put up to the legal branch of the department to see if an arrangement can be made which would enable the department to utilize the facilities of that contractor and yet protect to the full the Crown's interest.

Mr. BORDEN: Might I just say, far from being misadventure, as Mr. Harris puts it, it is a safeguard adopted from the start in that case which I had in mind, where the efficiency of the plant itself has resulted in its facilities being so increased by the government that the company could not possibly have arranged the finances which would have been necessary to provide those facilities apart from that arrangement.

By Mr. Gladstone: (to Mr. Borden)

Q. When the bank surrenders its security under section 88 to the government then the government really becomes the banker to that company?—A. The government, sir, would be subrogated to the rights of the bank under the provisions of the guarantee, but the bank presumably would work out the situation and service the account for the government.

By Mr. Cleaver: (to Mr. Borden)

Q. Mr. Borden, as to contracts where the government is able to advance or has advanced the capital to build the business and has advanced the working capital to a point where the industry in question is merely carrying on on an annual fee basis, is any guarantee asked for or received?—A. No, sir, it is an imprest bank account.

Q. Quite, that is what I understood. The only type of contract where the guarantee has the assignment feature is where the company is carrying on a government business along with a lot of other lines and it is impossible to segregate and place in one compartment the government business?—A. I would say that is substantially correct, sir; except for this, that it may not have any commercial work as such, it may have its government work which may have taken up its complete capacity and thereby caused it to run short of working capital and be in such a position that it may have passed the point which its bankers would consider a reasonable limit from the standpoint of a purely banking transaction and yet they may need further working capital. They come to the department and put up their case which is then considered by the negotiating officer, and by him referred to the committee.

Q. Well then, in the event of a contractor receiving a guarantee from the government what rate of interest applies as a result of the government guarantee? I refer to the interest rate on bank loans.—A. The interest rate on the bank loan in the cases in which we have operated on that basis so far, if my memory is correct, is 4 per cent. The bank charges the company 4 per cent on its loan.

Q. And what was the rate before the government guarantee, the rate charged by the bank?—A. I would not like to say, I assume it was at least 5 per cent or more.

Mr. HARRIS: Many of the large companies are borrowing at rates of $4\frac{1}{2}$ per cent.

Mr. GLADSTONE: Is that from Canadian banks?

Mr. HARRIS: Yes, there are very few over 5 per cent.

The CHAIRMAN: Mr. Sheils:

The WITNESS: Mr. Chairman and gentlemen, I wish to make a comment in connection with the exhibit which was filed yesterday dealing with the working capital required by Canadian companies. At yesterday's hearing—

By Mr. Graham:

Q. I am sorry to interrupt you again as you take up a new point, but I think we might as well press this home to a conclusion. I know how that matter raises many questions, but in the light of your appreciation of the savings in interest possible where the government supplies the money, would you consider that the department would be justified in making representations to our Canadian chartered banks to grant a rate of interest on these guaranteed advances equal to the rate that the government would be charged if that money were advanced direct to it?—A. That matter has already come before the special committee on loans, sir, and I would like Mr. Borden, as a member of that special committee, to answer; if you would be good enough to permit him to do so.

Mr. GRAHAM: Yes.

Mr. BORDEN: We have considered the matter very carefully, sir, and certain informal discussions, unofficial discussions, have already taken place with officers of certain of the chartered banks. We have not determined yet as a matter of policy whether to go to the banks formally and deal with the matter, but that has received consideration and will be receiving consideration.

Mr. GRAHAM: I am very pleased to note that you apparently are on the job in all of these items we have been considering.

Mr. BORDEN: I want to make it clear, sir, that in some of these advances where the interest is paid by the contractor to the bank, in some of these cases the contractor is working on a fixed price basis and the interest is a charge which comes from his profit and is not a charge to the government.

Mr. HARRIS: I should like to put this observation on the record, Mr. Chairman. The Department of Munitions and Supply, in my opinion, should not get themselves into the banking business.

Mr. BERCOVITCH: It is a matter of millions of dollars, and one-half of one per cent is a lot of money.

The CHAIRMAN: Mr. Harris is just putting his opinion on the record.

Mr. GLADSTONE: The bank would require some margin for services.

Mr. CLEAVER: By our silence I would not want the thought to go abroad that all other members of the committee are agreeing with Mr. Harris. Personally, I do not agree.

Mr. FOURNIER: Mr. Harris does not believe that we will all agree with him.

Mr. MAYHEW: Mr. Chairman, is not the question to be decided, after all, as to whether or not the theory upon which the money is advanced in this way is actually working out in practice? If that theory is correct, then of course their whole policy is built upon the fact that it is. Can we get any idea as to whether or not it is working out in practice? I notice here that there is an advance of something over a million dollars for the production of bombs at Cap de la Madeleine. The production of bombs, as I understand it, has to be carried out in two stages. First there has to be an electric steel furnace.

[Mr. G. K. Sheils.]

The steel will go first into the form of ingots and then into bombs. The department could at least determine the cost of the steel which is going into those bombs. Although they may not be making bombs in any other place in Canada, they are making steel ingots in other places. They could determine the cost of the steel in that form and compare it with the steel ingots produced in similar plants in other parts of eastern Canada. At least in that one case they could prove out their theory by the matter of cost accounting, as to whether it is correct or not.

Mr. CLEAVER: Mr. Borden, have any losses accrued up to date as a result of this form of financing being carried on?

Mr. BORDEN: Have there been any losses?

Mr. CLEAVER: Yes.

Mr. BORDEN: No, none.

The CHAIRMAN: The point raised by Mr. Cleaver is an important one. Mr. Harris has expressed his opinion one way. That expression of opinion, of course, does not in any way bind the committee. It might well be that this particular matter might be the subject of further inquiry by the committee.

Mr. HARRIS: Are you inviting that inquiry now, Mr. Chairman? I should like to ask one question there. Is there any contingency reserve set up to take care of any losses that might be experienced from these banking transactions?

Mr. BORDEN: No, sir; I do not think so. But I think possibly the amount of money involved has been magnified by our discussion. I am speaking purely from recollection, but I do not believe there is more than a million dollars in the aggregate of working capital advanced by way of guarantees in the manner in which we have discussed it this morning. I can verify those figures, but my recollection is that that would be a high.

Mr. ABBOTT: And the balance of the working capital advances are in the form of the imprest bank accounts that you mentioned?

Mr. BORDEN: That is correct, with the exception of two or three cases where companies have been taken and their capacity increased—that is, privately-owned organizations—and where we have had to supply working capital on the basis of taking back a mortgage, putting a man in the plant, setting up depreciation reserves, taking all their profits from the sale of their product over and above a certain amount as repayment, and so on. With the exception of two or three cases of that kind, that is correct.

Mr. ABBOTT: And in those two or three transactions you are really supervising the operation of the plant?

Mr. BORDEN: Definitely.

Mr. HARRIS: And when you are setting up a depreciation reserve, I suppose you would set up a reserve against the mortgage as well; that is, against the ultimate collection of the amount of money represented in the mortgage?

Mr. BORDEN: That would be a matter for the—

Mr. HARRIS: For the committee to decide?

Mr. BORDEN: That is right.

The CHAIRMAN: We will no doubt be examining certain specific projects.

Mr. HARRIS: I do not refer to this committee, Mr. Chairman. I refer to the committee that Mr. Borden spoke about, namely, the internal committee in the Department of Munitions and Supply.

The CHAIRMAN: We will no doubt be examining certain specific projects; and when we come to that examination we might well give attention to the points raised by Mr. Harris.

Mr. HARRIS: Mr. Chairman, it is so easy to get into these affairs and so difficult to get out; for example, the Canadian National Railways.

Mr. BLACK: With respect to working capital, I see at page 1123 of *Hansard*, Defence Industries Limited, working capital arrangement, \$3,350,000; John Inglis Company, at page 1125, working capital for production, \$2,000,000. Mr. Borden has stated, as I understood him, that the total advances would not aggregate a million dollars for all the companies.

Mr. ABBOTT: With regard to the last one you mentioned, only a third of the commitment is for Canada.

Mr. CLEAVER: The last one is a management fee contract.

Mr. BORDEN: I was speaking of contracts for Canadian account and confining myself to other than management fee contracts or imprest bank account contracts.

Mr. BRADETTE: For my own information I would ask Mr. Harris why he compares the Canadian National Railways with some of the firms getting assistance from the government.

Mr. HARRIS: It is not a comparison; just an example.

The CHAIRMAN: That was just obiter dictum. All right, Mr. Sheils.

The WITNESS: Gentlemen, with your indulgence I should like to make a statement in connection with an exhibit which I filed yesterday dealing with this matter of working capital advances on Canadian account. You will recall that at the previous hearing I was asked to file this statement and I filed it yesterday. It came to my attention last evening that the information given in the statement, or rather the form in which it was given, might easily be misinterpreted by a member of the committee and might give the wrong impression as to the exact facts. I say that because I, myself, in giving evidence yesterday, based on that statement, misinterpreted some of the figures or rather the form in which they were presented. I should like to explain how this happened and to ask your permission to withdraw that report and to file in its stead another one which I have here.

This unfortunate occurrence came about in this way. When I asked the officers of the department at the conclusion of the previous hearing to prepare this report, they brought to my attention the fact that the last official figures which they had from the Treasury department were up to February 28th. I asked my officers if it would be possible to give to the committee any later figures which might be in the possession of our department, and when the report was presented to me my attention was called to the fact that some figures later than February 28th had been incorporated therein. It was at that point that I misinterpreted the statement. I took it that these figures which were given to me represented figures which had been duly authorized by privy council and which therefore were in all respects on all fours with the official figures of February 28th previously mentioned. I presented the document yesterday with that thought in mind and answered certain questions while under that misapprehension. I now find that the figures which my officers gave me dealing with working capital items later than February 28th were in effect departmental estimates of working capital requirements, and had not necessarily been authorized by privy council, as were the February 28th figures. I therefore should like to file a report which will show every item of information which was on yesterday's report and will show in addition the actual amounts out of those estimated figures which have been duly authorized by Treasury Board up to February 28th and will show also, opposite each of those amounts, the privy council order which covers those authorizations. I wish to stress that this new report does not omit anything which was in yesterday's report. It merely makes it clear that the figures of working capital requirements of which I spoke yesterday, and which in all good faith I represented to you as

[Mr. G. K. Sheils.]

having been duly authorized by privy council, are in fact our departmental estimates of working capital requirements; it then shows clearly, opposite each of these estimated amounts, what portions, if any, have been duly authorized by treasury board and privy council and the documents by which the privy council authority is conveyed, giving the number and the date of each. If anyone would like to ask any questions in connection with this new report, I should be very pleased to endeavour to answer them; and I wish to say that I regret very much having taken up the time of the committee yesterday afternoon with certain questions and answers arising out of or based on my incorrect interpretation of the department's report.

The CHAIRMAN: Yesterday's evidence has not yet been printed. I suggest that this list be printed in today's proceedings in substitution for the list that was filed yesterday.

Mr. HARRIS: Carried. Mr. Chairman, might I make a suggestion? As the report of yesterday is not yet printed, it is not necessary to have these observations on the record or, for lack of a better word, the apology to the committee for the error in the first place. Could you not, sir, in consultation with the members of the Munitions and Supply department, edit yesterday's report and do away with the necessity of putting this on the record?

Mr. MacINNIS: The only point is that they are putting two reports on the record. So as to avoid confusion, if we eliminate yesterday's, there is no reason why this cannot go in. We will then have it all clear.

Mr. HARRIS: Yesterday's is not printed yet.

Mr. GRAHAM: The only difficulty is in connection with the point raised by Mr. Sheils, namely that he has answered certain questions; so necessarily you would have to edit all of those.

The CHAIRMAN: Yes.

Mr. GRAHAM: I think the method you are pursuing now, Mr. Chairman, is the correct one.

The CHAIRMAN: I think Mr. Graham has the correct view of it. If it were only yesterday's list that was to be replaced by an amended list, Mr. Harris' suggestion would be quite in order. But Mr. Sheils has pointed out that he answered certain questions on the basis of the list that was presented yesterday.

The WITNESS: On the basis of my interpretation of it.

The CHAIRMAN: Yes, his interpretation of that list. He has made the necessary correction now. Mr. Harris' suggestion might be met in this way, that a note might be put in yesterday's evidence making a reference to today's corrections.

Mr. POTTIER: I think that is a good suggestion.

Mr. HARRIS: Agreed.

The CHAIRMAN: There might be a note placed in the evidence of yesterday to the effect that it was subject to certain corrections made by Mr. Sheils in today's evidence.

Mr. MAYHEW: I think the committee should express appreciation of Mr. Harris' remarks in trying to simplify the record.

The CHAIRMAN: Yes, the committee does. Mr. Sheils, will you now proceed?

The WITNESS: Gentlemen, I have now come to the point in my explanation of the functions of the department where I have to deal with a number of what might be termed the facilitation branches or divisions of the department, branches or divisions which while some of them may not be quite as much in the foreground in our dealings with contractors as others which I have previously mentioned are all nevertheless necessary, "behind the scenes" if you will, to enable the department to function.

The first of these branches with which I should like to deal is the Labour Relations Branch. This branch is, of course, not "behind the scenes", to any great extent; it is in the forefront in all our dealings with contractors, and performs a very important function. As I mentioned in previous evidence, this branch is headed by Mr. H. B. Chase as director general. Mr. Chase is a labour executive of long standing, and is performing a very important function in acting as liaison officer between our department and the Department of Labour and in his dealings with our contractors on all labour matters.

Mr. Chase's branch is responsible for the insertion of the proper "labour conditions" in all our contracts. He deals with the Department of Labour in the working out of the proper labour conditions for each contract. He represents the Department of Munitions and Supply before boards of investigation and conciliation in all cases where, should such boards recommend increases in wages, such increases would automatically be passed on to the crown. That is, in cases where what we are dealing with is a cost plus contract, and should there be any increase either in the cost of raw materials or wages, the Crown must absorb it. It has been held that our department, as the representative of the Crown, has the right to be present at such hearings and to make representations.

Mr. Chase is also very successful in dealing personally with matters of conciliation, frequently being asked by the Department of Labour to go on its behalf and on our behalf and talk with contractors and labour leaders, seeking to avoid tie-ups of war work.

The next branch is what we term the Economics and Statistics Branch. This branch is under the leadership of Mr. S. W. Fairweather, who is one of the gentlemen serving in the department without remuneration. He is, I understand, the Economics Adviser of the Canadian National Railways. Associated with him is another expert on economics in the person of Mr. H. C. Goldenberg.

This branch has performed a very valuable function in assisting us to plan ahead and to assess in advance the effect which our war effort would have on the supply of labour, raw materials, power, etcetera. You will doubtless obtain a fairly clear idea of the functions of the Economics and Statistics Branch if I refer briefly to some of the studies which they have made.

They have produced an excellent study on "Estimates of Canadian steel requirements" in and for the year 1941. This report was prepared at the request of the steel controller. They have produced a similar report on "Estimates of the requirements of brass, copper and zinc," and on certain chemicals, alloys and substitutes.

By Mr. Black:

Q. Are those reports available to the committee or to the public?—A. I would have to consult with my minister on that, sir. They were made under the express authority of the minister, and I do not know at the moment whether or not the minister might be willing to release them. But if you wish me to do so, I will be glad to take that up with the minister.

Another report which has been very valuable is the "Estimate of labour requirements for war production." This report has been used as one of the bases on which the training program of the Department of Labour was formulated. It has also been used by the Inter-departmental Committee on Labour and the National Labour Supply Council.

By Mr. Green:

Q. May I ask whether there is any provision for placing in industry the men who are discharged from the fighting forces; whether your department pays any attention to that, or not?—A. Yes, sir.

Q. I ask that because it seems to me your department is in a good position to insist that these men be placed at work.—A. May I answer that in this way, sir? From the outset, our department has placed in all its contracts a clause requiring the contractor to employ a reasonable quota of returned men. Since the men commenced returning from the present war or being discharged from the army, we have amplified that with a red, white and blue sticker on every contract in which we call attention to the clause referred to and emphasize the necessity of the contractor living up to that in the spirit and in the letter.

Q. Have you any liaison with the Department of National Defence or the Department of Pensions and National Health so that further steps can be taken to see that these men are actually placed? It does not go very far simply to have it in your contracts that a reasonable number should be used, unless there is some method of following that up.

By Mr. Golding:

Q. Does not a good deal of that come under the Department of National War Services?—A. Our Mr. Chase, in co-operation with the officers of the Department of Labour, endeavours to follow up *re* this. Another very effective organization by which it is followed up is the Canadian Legion. We receive representations very quickly if in the opinion of the branch of the Legion in the vicinity concerned some contractor is not living up to that requirement.

By Mr. Green:

Q. Have you any record of how many men have been placed under these provisions in the contract?—A. No, sir, we have not in our department any record of how many returned men have thus been placed.

Mr. BRADETTE: Mr. Chairman, does this discussion come under this committee's work? I do not think it does.

Mr. FOURNIER: It is part of the contract.

The CHAIRMAN: It is part of the contract, and it has relevancy in this respect—making the most efficient use of manpower resources.

Mr. BRADETTE: We all want that but I am certain that we have to draw the line some place. With the amount of work we have to do, we will be here all the year round. Like everybody else, I want everything to be done which it is possible to do for the returned men, but I believe we have some departments in the government that will look after them. This is not work for this committee.

Mr. GREEN: I suggest it is a mighty poor place to start drawing the line. Here are 20,000 of these men being discharged from the present forces.

The CHAIRMAN: I have not drawn the line, Mr. Green.

Mr. GREEN: This is a great source from which to draw labour, and Mr. Sheils has dealt with one special department on labour relations under Mr. Chase, and I believe we might very properly find out just how far the Department of Munitions and Supply go in seeing that as many as possible of these ex-service men are placed in industry.

The CHAIRMAN: Mr. Green, will you please put questions rather than make speeches on the side?

Mr. GREEN: I am not making a speech, I am simply answering Mr. Bradette.

The CHAIRMAN: I have not checked you, Mr. Green.

Mr. BRADETTE: I do not need any answer, for the simple reason that I am always willing and ready to work for the returned men and everybody else, but I just want to mention to the committee that we have a lot of work to do, and if this is relevant I am satisfied to spend weeks on it; if it is not, we have to draw the line some place.

The CHAIRMAN: I have indicated its relevancy along the lines I mentioned a moment ago.

The WITNESS: Mr. Chairman, may I make a correction in my testimony of a few moments ago? I said that right from the outset we had had that clause in all our contracts. Our general counsel points out something which I did not know, not having actually been here at the start, as he was, that it was not until some months after the war supply board and the department was set up that this clause was actually inserted.

The clause in question reads:

In the execution of the work to be followed under this contract, the contractor shall employ reasonable quotas of men who have been demobilized or honourably discharged from the fighting forces (navy, army and air forces) of the war of 1914-18 and the present war, where such men are available and competent.

In addition to that, we place a red, white and blue sticker on the outside of every contract calling the contractor's attention to that clause and stressing the necessity of his living up to it. But we have not in our department any record of the number of men thus employed. I believe we have acted on the assumption that the Department of Labour and the various veterans' organizations throughout the country would have kept in touch with that point. I know I personally have received letters from veterans' organizations on a number of occasions when they have had any reason to feel that this clause was not being lived up to, and Mr. Chase has investigated the matter immediately.

By Mr. Green:

Q. Which officer in the department would have the responsibility of seeing that that clause in the contract is fulfilled? Would that be under Mr. Chase, or is there some other official in the department who looks after that?—A. No, I think it would come primarily under Mr. Chase, our Labour Relations officer.

Mr. FOURNIER: I do not wish to interrupt, but does Mr. Green mean that the Department of Munitions and Supply should go around to these veterans' organizations to see if they have unemployed people who could work on these contracts?

Mr. GREEN: No. The reason I brought it up is that I think the experience has been that while there may be a paragraph of this type in the contract, in many cases it is not lived up to, and I was just wondering whether there was any way by which the department could check on that.

The CHAIRMAN: Mr. Green, have you any such cases?

Mr. GREEN: From time to time I have had complaints about that, and I am wondering if the department—

The CHAIRMAN: I am sure the department would be glad to have any representations on specific cases that you would like to make to the department. Mr. Sheils has indicated that when representations are made to him they are immediately looked into.

The WITNESS: We made it our business to see, sir, that the head office of the Canadian Legion knew of the existence of this clause, and I presume they immediately notified all their branches. I know that at least some of the branches knew of the existence of the clause and have been on the watch to see that is was being carried out.

Mr. POTTIER: The employment bureaux are very active in this regard, especially where most of the contracts are let in the larger provinces. They keep a very close check, and will give you all the information you want in that regard.

Mr. McGEER: If Mr. Green will give the witness a specific case I am sure that he will be able to bring in a reply.

[Mr. G. K. Sheils.]

The CHAIRMAN: That is what I suggest. If he has any specific suggestions to make let him make them to the department and the department will look into it.

Mr. MACINNIS: May I say a word in regard to the reference to the labour relations department. I think that the National Labour organizations have a great deal of fault to find with the labour relations department, and while I am not raising any point here to-day I think at some future time we should invite these people to lay their grievances before the committee. I just want to raise the point so that it will not be overlooked.

Mr. GLADSTONE: I do not agree with the placing of the onus of checking in this connection too much on the Department of Munitions and Supply. I believe it would impede their work in some ways, especially when we have so many other organizations that are taking a great interest in the rehabilitation of our returned men. Organizations such as have been mentioned, the Department of Pensions and National Health and so on, which I know has a local committee working in my city of Guelph in behalf of men who have been demobilized. Then there is the Legion and the employment offices. There is much organized effort in behalf of the men who have been demobilized, and while this department certainly will be interested in it still we ought to be careful not to impede the great work that they have in hand.

The CHAIRMAN: May I suggest that this whole topic raised by Mr. MacInnis, the labour relations in connection with Munitions and Supply, be taken under advisement by our committee in so far as it affects the reference that has been entrusted to us. I have made a note of the subject-matter and we may at a later date take that whole question under advisement in so far as it relates to our terms of reference. Proceed, Mr. Sheils.

The WITNESS: Another study which the economics and statistics branch has made deals with the "Geographical Distribution of Labour Requirements in War Production". This study is very useful in guiding the Department of Labour in planning supply of labour. It is also used by our department when considering where to place a large project.

Another special report has been made on "Estimates of Employment on War Construction"; another one on "Estimates of Deliveries of War Production in 1941 and 1942" and a possible projection of this war program. This report is very useful at the moment because when any new project comes up it is possible to see by reference to the report where capacity exists in plants and where further capacity will exist month by month in the future as and when present contracts are completed.

By Mr. Pottier:

Q. What is the date of the report?—A. That report was prepared on January 24 of this year.

Q. It is kept up to date, I presume?

By Mr. Green:

Q. Would copies of that report be available, Mr. Sheils?—A. With the approval of the minister, sir, I shall be glad to file it. I do not know whether he will approve of these being filed or not. They are all marked "Secret" upon being prepared, and are known to only two or three of us in the department and are divulged in part only to the officers who require such information. As to whether the minister would approve of filing a complete report or not, I shall have to inquire.

This branch also produces reports on capital assistance to Canadian industries, summary reports on production, and miscellaneous reports of all types as required by the minister or other departments of the government. Another specific feature which is of considerable daily interest is a system

of production charts which this branch produces. I shall file one of these as an exhibit. They show, as you will see, the promised or scheduled line of production, which is the black line, and the actual production week by week in comparison with that. One of these charts has been produced on every major item of ordnance, shells, etc., which we are procuring, and these reports are used by the directors general of the production branches to follow up their contractors to see if they are keeping pace with their promised deliveries.

This information is obtained in the first place, with regard to the black line, from the contract with the contractor which contract calls for certain deliveries. The "actual" figures are obtained by the economics and statistics branch from the inspection board of which we spoke who make reports at least weekly, in some cases oftener, on the production which is coming through the plant. That is, I mean at least weekly on any important item. If it is an unimportant item the inspection reports come in at longer intervals.

By Mr. Cleaver:

Q. Have you a composite graph showing the total production?—A. No, not in this form, sir, because these are units.

Q. I appreciate that fact but I thought perhaps you might have a composite graph.—A. It would have to be translated into values to mean anything at all and even then would not, in our opinion, be of much assistance in checking up on the performance of individual contracts. We have not such a graph.

By the Chairman:

Q. In respect of what items do you prepare a graph similar to the one you have been describing?—A. This one deals, for instance, with 25-pounder shell; this one deals with an item of "Fleet Trainer" aircraft—they deal with a large number of items.

By Mr. Black:

Q. For what period was the schedule of production projected on the chart? I was wondering if that line were projected in advance to the completion of the contract.—A. If there is a definite quantity mentioned in the contract it would be projected to the time of promised delivery of that definite quantity. If it is a matter of getting a plant into capacity production the "promised" or "scheduled" line on the chart would show the promise of the contractor as to when he will reach 200 units a month, 300 units a month, 500 units a month, and so forth.

By the Chairman:

Q. You have a similar graph in your department in respect of each item that the department is supplying?—A. Not each item, sir. We would not have one for example for caps, boots and shoes, suspenders etc., etc.; but for all important items of ordnance or ammunition or aircraft or ships or items like that—

Q. All items of ordnance?—A. Yes, all items of ordnance, tanks, guns, gun carriages, shells, tracers, gauges, small arm ammunition, Bren guns—

Q. All items of ordnance?—A. Yes.

Q. And construction?—A. No, not for construction projects; they are controlled in a different way by reports through the construction branch. They do not come under this type of chart.

By Mr. Bradette:

Q. What would be the line of demarcation in the department between a major item of production and a minor item? There must be a line drawn somewhere where you make a distinction between what you called a major

[Mr. G. K. Sheils.]

item a few moments ago.—A. Yes. The distinction would roughly be this, the items which we chart are those which are represented by long term contracts running over many months, and, in some cases, years. In many cases also these are not normal peace-time products of Canada—for this reason we have probably been obliged to extend capital assistance to the contractor to get him started in business. This gives us another reason for wanting to keep a close check on whether or not he is living up to the promises he made us when we bought this machinery or built this building for him. The basic yard-stick is, however, the period over which the contract runs. Contracts covering guns, ships, aircraft, et cetera, usually extend over many months—these are charted. Contracts covering the purchase of caps, shoes, suspenders, et cetera, usually clear themselves out in two or three months, sometimes in a few weeks. Such contracts are not, therefore, charted. The deliveries on these are followed up by means of the follow-up system which I referred to in the first day's proceedings. When we place an order for these items a copy of the order goes to the follow-up or tracing section and they operate to see that the contractor lives up to his deliveries. But these are, in the main, relatively short term contracts. The contractor works them out in a few months, perhaps less, and it is not therefore considered essential to have a chart to cover them.

The next branch is one which is, I think, somewhat mis-named. It is called the "Publicity Branch." We do not, as this name might imply, equip ourselves with a large branch to seek publicity for what we are doing. Briefly, these are the principal functions of the publicity branch: meeting as rapidly as possible the many requests for information which come to us from the Press Gallery and from all press services; providing information on the war effort for numerous visitors, including newspaper men, college professors and many British and United States journalists; taking all the necessary safeguards and making complete arrangements for many visits to war plants by representatives of newspapers, magazines, radio services and motion picture producers; arranging radio and motion picture publicity; arranging special displays of war equipment for groups of newspaper and camera men; arranging adequate technical censorship for all material concerning the work of this department, i.e. with reference to any item which may be written either by officers of the department, or by any other party and submitted to us, and in which it is felt there might be something in the technical information which should not be divulged, it falls to our publicity branch, to see that the proper technical officers are given the opportunity of censoring such material; providing, or aiding others in the preparation of, speeches. Many outsiders demand this assistance from the department. We have people in all walks of life who write to us and say that they are required to make a speech on the war effort and will we kindly give them some facts on which to work. Again, many important men write to us and send us speeches which they have prepared and ask us to censor them to see if inadvertently they have said something which should not be said. All this takes up considerable time. Preparation each quarter of an extensive summary, covering all the activities of each section of the department. That is prepared for the office of the Prime Minister. Co-operating with the Director of Public Information in the general publicity activities of the government.

By Mr. Marshall:

Q. When was this department set up?—A. The publicity branch?

Q. Yes.

Mr. MAYHEW: I hope you are not writing speeches for members of parliament.

The WITNESS: I hope that we do not have to take on that task, sir. If, however, any member of parliament would care at any time to send us a speech which he proposes to make and ask us if he is making a correct statement regard-

ing any particular item of supply, we should be glad to try to see that he has the correct information. I would like to make it clear, however, that we are not seeking this work.

If I may pass on now, gentlemen, to the next phase of the department's activities, the legal branch. I do not think it is necessary for me to enter into any very extended explanation of the functions of the legal branch of the department. It is obvious that considering the large number of contracts and contractual negotiations with which we have to deal, a legal branch is absolutely essential. Mr. Henry Borden, K.C., who is seated on my right, is general counsel for the department, and is the ruling head of the legal branch. The director general of the legal branch under Mr. Borden is Mr. Kennedy, another lawyer of long standing, from Toronto.

The WITNESS: Mr. Kennedy has under him a number of lawyers who are skilled in contract work, and others who have special ability along other lines. That is, we try to get a lawyer to specialize on a certain type of contract or work in the department, subject always to the direction of Mr. Kennedy or Mr. Borden as to their general functions.

The CHAIRMAN: And don't forget Mr. Covert.

The WITNESS: The chairman calls my attention to the fact that I have not yet mentioned Mr. F. M. Covert who has appeared before the committee on a number of occasions. Mr. Covert holds the responsible position of Assistant to the General Counsel, Mr. Borden.

By Mr. Bercovitch:

Q. That is a very necessary branch, I take it?—A. Very necessary.

The next activity with which this department comes in contact is the War Contracts Depreciation Board. This board is not a branch of this department. It is a board set up under Mr. Justice McTague to deal with the question of requests from contractors for accelerated depreciation of assets which they have purchased with their own money in connection with the carrying out of the war effort. These are not cases where the Crown has put up any money in the way of capital assistance. These are cases where the contractor has spent say \$100,000 to build a new plant or to equip it with machinery and it is his opinion that in the post-war period that building and machinery will be worth very little. Provision is made that such contractors may approach the War Contracts Depreciation Board and put their case before it, and the board will attempt to assess the post-war value of the assets and will arrange with the contractor certain accelerated depreciation rates which he may use to write down the assets to that assessed post-war value. This of course assists the contractor in connection with his income tax payments.

By the Chairman:

Q. Does this board contact other departments of the government besides the Department of Munitions and Supply?—A. I would say very little, sir; I think most of its work is with us. The reason I mention a board like this which is not a branch of the department is because of its close connection with our work and that the fact that we have an officer of the department placed on that board by virtue of the Order in Council which created the board. I believe that is correct, Mr. Borden?

Mr. BORDEN: Yes, it is.

The WITNESS: It was provided in the Order in Council that the Department of Munitions and Supply would appoint one of the members of the board, and we have appointed a Mr. F. H. Black, a chartered accountant, to sit on that board representing us.

[Mr. G. K. Sheils.]

Mr. CHEVRIER: Could you tell us how many members there are on that board?

The WITNESS: The board consists of the chairman and two other members.

Mr. BORDEN: The Department of National Revenue, Income Tax Division, is represented on the board through the third member.

The CHAIRMAN: That is the point I wanted to make.

By Mr. Green:

Q. Then the board comprises the chairman, a representative of the Department of Munitions and Supply and a representative of the Department of National Revenue?—A. Yes.

By the Chairman:

Q. Did I understand you to say that the Department of National Revenue, Income Tax Division, has a representative on this board?

Mr. BORDEN: Yes, sir; and decisions by the board are transmitted to the Department of National Revenue where they are put on their files and that is binding on that department.

The WITNESS: When you asked a moment ago if the board had contacts with any other department of the government and I replied, "very little"; I was not speaking of the board's relationship to the Department of National Revenue at the moment. I had intended going into that phase of it shortly. I was thinking rather of departments such as labour, agriculture and so on. I do not think that the functions of this board touch them to any extent.

By Mr. Chevrier:

Q. Does this board sit all the time or only part time?—A. I think they sit whenever there are any cases to come before them; and judging by the number of times I have seen the members of the board around Ottawa of late I would say they are sitting pretty steadily.

Mr. BERCOVITCH: It is income tax time.

By the Chairman:

Q. Was this board set up by order in council?—A. Yes, sir.

Q. When?

Mr. BORDEN: It was June or July, 1940.

Q. June or July of 1940?

Mr. BORDEN: Yes, it was last year, in the middle of the year.

The WITNESS: The board is not permitted to consider any representations from a contractor unless the contractor can prove to the board that he is dealing or is about to deal with a war project, and that is primarily where our department comes into the picture. We are required to supply any such contractor with a letter which he can present to the board, which letter is in effect a certificate that the assets in question have been purchased in relation to a war contract.

By Mr. Black:

Q. Are they written off entirely with respect to that contract?—A. The board has the discretion of assessing what the post-war value, if any, is and allowing the contractor to write off any difference between that value and his cost.

By the Chairman:

Q. Who is the chairman of the board?—A. Mr. Justice McTague.

Q. Mr. Justice McTague, of what province?

Mr. BORDEN: Of the Court of Appeal of Ontario.

By Mr. Graham:

Q. Mr. Sheils, while the question is in my mind, is the department exercising any authority in the case of a building contractor or other contractor who in the process of carrying out a contract let by tender finds that he has made a serious error and cannot complete the contract and make a profit or would likely complete it at a considerable loss—has a case ever arisen where the department had to consider the position of the contractor in a case such as that and give him some assistance either by way of increasing the price or through some other method?—A. Yes, sir.

Q. Who decides that?—A. A matter such as this would come up from the construction branch to myself, and if necessary to the minister; and if it is recommended that the contractor be given any relief, and if such recommended relief is in excess of \$5,000, the matter automatically goes to the privy council. The circumstances vary of course; if a contractor should say shortly after being awarded a contract that he has made a bona fide error and that his price should have been say \$2,000 higher, and if some other contractor had originally tendered only \$1,500 higher, we would probably transfer the contract to that other tenderer. A case arose a short time ago—I cannot recall the name, but I remember seeing the recommendation go forward to the privy council—where a contractor proved that a bona fide mistake had been made in the extension of an item in his tender and that his tender really should have been put in about \$2,000 to \$3,000 higher. Even with this additional cost he was still several thousands of dollars lower than the next lowest tenderer, and in that case, while the amount involved was not \$5,000, we put forward a regular submission for an order in council and had privy council review the case.

Q. I presume from the very nature of things that your department makes the contractor submit a very justifiable case before that consideration would be given?—A. Absolutely.

Q. Otherwise it could be used as a weapon for varying a contract?—A. I can assure the committee that cases such as this are looked into very carefully. Our first reaction usually is to turn them down. The contractor must prove that he is entitled to special consideration.

By Mr. Macdonald:

Q. Might I ask if the decisions of this board as to depreciation allowances are published?—A. I could not answer that.

Mr. BORDEN: I do not know what policy the board adopts. Our department is concerned with that board only through having a representative on it as a member, and because of the fact that the department was thoroughly in agreement and desirous that such a board should be set up because of the natural reluctance on the part of contractors to expend capital moneys for their own account without some means of depreciating the assets during the war period.

Mr. MACDONALD: I was just wondering as to whether the decisions of the board were considered confidential for the use of the Department of National Revenue, or whether they would be disclosed to the public.

Mr. BORDEN: I do not know as to that.

Mr. MACDONALD: Or, if the findings would not be binding on the Minister of National Revenue.

Mr. BORDEN: I understand they are; that is, the board gives a certificate to the Department of National Revenue and that certificate, as I understand the procedure, is placed on the file of the contractor so that when he files his income tax return and shows his depreciation in accordance with the ruling given to him by the board, his return is compared with the copy of that ruling which is on the files of the income tax department and to the extent that they correspond it is sufficient.

[Mr. G. K. Sheils.]

Mr. MACDONALD: Are these decisions of the board subject to review or are they binding on the Department of National Revenue; for instance, should the depreciation allowed result in a very much larger amount being taken off which would not appear to be justified, is there any appeal?

Mr. BORDEN: Mr. Covert brings to my attention his understanding that the certificate of that board goes to the Minister of National Revenue before it is finally issued and has his approval; but as to the procedure of the board, I do not think we are competent to deal with that.

By Mr. Pottier:

Q. So the board makes a statement of what the industry would be worth after the war is over, or after the completion of the contract, and there is therefore a certain amount of depreciation allowed. How is that depreciation allocated; is it so much a year, or is it allocated all in one amount? It could not be allocated all in one lump sum from one year's returns. Is there any policy in regard to that?

The WITNESS: The board makes its own rulings on that; subject, as Mr. Borden has said, to the approval of the Minister of National Revenue.

Q. Each case is considered on its merits?—A. Yes.

By Mr. Abbott:

Q. The Department of Munitions and Supply then has no connection with this War Depreciation Board?—A. Only to the extent of having a representation of the department on the board as a member.

Mr. POTTIER: It applies only to people who have contracts.

Mr. ABBOTT: The Department of Munitions and Supply give a certificate showing that a particular industry is engaged on war work and the War Contracts Depreciation Board decides whether it is entitled to a special depreciation.

By Mr. Fournier:

Q. But you have a representative on that board, have you not?—A. Yes. He has on occasion been referred to as the liaison officer between our department and that board—he is however definitely appointed by Order in Council as a member of the board.

Mr. MACDONALD: One would think that the Department of Munitions and Supply would be in a better position to say what this depreciation should be and to advise the board.

Mr. CLEAVER: I think, Mr. Chairman, that we could quite well make a study of this problem because this is a question where a lot of money could be lost in excess profits taxes if allowances are too generous. We have no one before us this morning who has any definite information as to the practice. Might we not leave over the discussion of this entire problem until we are in a position to study it properly?

The WITNESS: I quite appreciate, gentlemen, that in reference to this board I am not competent to discuss in detail its method of procedure. I referred to it solely because it is one of the activities with which we are connected; and I felt that, in order to round out my explanation of the functions of our department, I would have to mention this board.

The next item is in a somewhat similar category, namely, liaison between our department and the Department of Trade and Commerce. We have a liaison officer, Mr. G. D. Mallory, who is an officer of long standing in the Department of Trade and Commerce. This liaison function deals largely with the matter of purchases in Canada by other dominions etcetera where, unless we knew all about such purchase, there might be conflict in Canadian plants with orders which we have placed or were about to place in those plants in

connection with the war effort. Mr. Mallory keeps very closely in touch with the purchasing officers of our department and discusses with them any orders which the Department of Trade and Commerce may receive from other countries where there is any possibility of such conflict. That has, of course, the dual purpose of being able to assure such other countries of certain delivery dates which is a very necessary feature from the viewpoint of the Department of Trade and Commerce, and at the same time of avoiding any upsetting of delivery dates promised to us on war orders.

The next officer to whom I should like to refer is known as the Security Officer. This officer is responsible for all anti-sabotage work in the department and in the plants of all government-owned companies and war contractors. Most government war contractors have what is known as a Security Officer in their own company. That is required of them by instructions issued months ago. I think these instructions were first issued by the Department of National Defence in co-operation with the Royal Canadian Mounted Police and have since been re-issued by our department. A booklet was issued to all important war contractors telling them what steps they must take to prevent sabotage, and one of these steps was the appointment of a security officer to supervise all such anti-sabotage precautions. Our security officer deals with and through all the security officers in the contractors' plants and in all government owned companies, to prevent sabotage.

By Mr. Bercovitch:

Q. Have you had any case of sabotage?—A. Nothing which we could definitely pin down as being sabotage, sir. The next branch to which I would like to refer is a very important branch, the comptroller's branch. That is where the financial work of the department is centred. If you will look at the chart you will see it appears at the right centre. It is headed by a chartered accountant of wide experience who has under him a number of other good chartered accountants.

By the Chairman:

Q. That is Mr. Tindale?—A. Yes; Mr. A. S. Tindale is the comptroller. The assistant comptroller is Mr. H. R. Smyth, another chartered accountant. You will notice that this branch deals with the liaison between our department and the treasury, working through the chief treasury officer, Mr. A. V. Franklin, and the assistant treasury officer, Mr. W. Lauchlan. The comptroller's branch also deals with liaison between our department and the Cost Accounting Section to which I referred in my evidence a few days ago.

By Mr. Graham:

Q. Are those individuals whom you now mention permanent employees of the government?—A. They are full time employees of our department, sir, but not permanent civil servants.

Q. Oh, they are loaned by firms to the department, are they?—A. No. I think all of the men in Mr. Tindale's branch are on salary, in other words they are full-time paid employees of our department.

Q. No. I meant the heads in the comptroller's branch; for instance, the comptroller himself?—A. The comptroller himself is a full time salaried official of the department.

Q. Is he a civil servant?—A. A temporary civil servant, not a permanent civil servant. The officers of the treasury, of course, are permanent officers of the government. I mention them as liaison, and not as officers of our department.

In the comptroller's branch also we have Mr. H. H. Haydon, who deals with capital assistance matters, all financing of government companies, all treasury board contracts, budgets and appropriations, and minister's estimates;

[Mr. G. K. Sheils.]

also Mr. W. F. Williams, another chartered accountant, who deals with all reports received from the Cost Accounting Section and is our liaison with the Department of National Defence, the Comptroller of the Treasury and with the War Contracts Depreciation Board operating through Mr. F. H. Black whom I mentioned a moment ago. Under Mr. Tindale's branch,—the comptroller's branch,—comes also the matter of all overseas accounting; that is, accounting performed by us for the United Kingdom government, this being done, as I mentioned some days ago, at the special request of that government. This is a very important division. I think there are about 115 people in it now. It is one of the divisions where, as I mentioned a few days ago, we have a formal night shift in operation. This overseas accounting division is headed by Mr. A. R. Gilchrist.

By the Chairman:

Q. This branch that you speak of is a branch of your own department, is it?—A. Yes.

Q. And is different from the chief treasury officer and the chief cost accountant?—A. Yes.

Q. Who are both seconded to your branch from Treasury or rather are under the control and direction of the Comptroller of the Treasury?—A. I do not know that "seconded" is quite the proper term.

Q. Perhaps not.—A. Your later phrasing is more correct, in my estimation. They are definitely under the control and supervision of the Comptroller of the Treasury.

One item of considerable importance which comes within the purview of the comptroller's branch is the control of expenses. You will notice from this chart that this comes under the assistant comptroller, Mr. H. R. Smyth. All expense vouchers dealing with the administration of the department pass under the scrutiny of that officer of the comptroller's branch. One of the principal items thus scrutinized, is, of course, travelling expenses. I mention this particularly because, as you gentlemen who are connected with large enterprises know, travelling expenses generally represent a large item of expenditure in any company's profit and loss statement and require, therefore, very rigid control. In our department we operate under very strict "Travel Regulations" which are based on the travel regulations of the government of Canada, with certain amplifications which we consider necessary in order that not only will these regulations control the expense of travelling but they will fit in with the efficient functioning of the department with respect to the movement of officers. It is obviously important that the administrative officers of a department of the size of ours should know when a director general or other important official plans to be out of town for a week in order that items of importance may be cleared with him before he goes, and, if he should be going to a certain city where there is a problem which concerns some other officer of the department, that we may see if the officer who is travelling can do anything towards assisting in straightening out that problem. So that we have in our department certain forms which are not in general use in all other departments of the government, one of which I have before me. This form is known as a "Notice of intention to travel". The officer who intends travelling fills out this form in duplicate, showing where he is going, when he proposes to leave, when he will return, the estimated cost of the trip, where he can be reached at any time during the trip, the method of travel, whether by railroad, personally owned automobile, steamship or aeroplane. The approving officer, i.e., myself or some officer specially authorized by me, approves the form and returns one copy of it to the officer who desires to travel and then sees to it that other officers who might be interested in the fact that this officer is going to be out of town, are advised, so that matters such as I have mentioned can be taken up with him. That is incidental to the control of expenses but it is all a part of the functioning of the department.

Q. Are these travel regulations covered by an instruction letter?—A. Yes. They are covered by instruction letter No. 19A, dated October 11, 1940, which will be one of the exhibits. That was an amendment of an instruction letter issued in March, 1940, on the same subject.

By Mr. Bradette:

Q. Would you be in a position to decide whether they have to travel by aeroplane, which would be more expensive than any other mode of travelling?—A. That is the exact reason for having this on the form. The official puts forward his intention of travelling by aeroplane, and there is an opportunity of questioning why. If it can be demonstrated that it is essential that he get to a place quickly and get back quickly so as, for example, to enable him to take other important appointments, aeroplane travel is approved. Those forms are not always approved in the exact form in which they come to us. We may make a change in the method of travel or in some other feature. Those cases where changes are made are not many. However, they do take place. Sometimes, of course, the proposed trip may not be approved at all.

Q. Travel by aeroplane would be certified where it is a matter of getting there on time, in urgent cases?—A. Yes; or where a man has an appointment back here in Ottawa two days from now and he must go to Toronto and back and do some business in Toronto in the meantime.

By Mr. Graham:

Q. I wonder if you could give the committee an idea of the importance of that feature? Could you give, roughly, a typical month's total accounts for travelling expenses in the department?—A. It could be very easily supplied. I should be glad to get it.

Q. You would not care to make a statement? I do not want it necessarily in exact figures.—A. No. I would not care to make a statement from memory, but I would be very glad to supply that information. Would you make a note, please, Mr. Marsh, to have that put in?

I think that covers generally the specific functions of the comptroller's branch. Of course, as in any other business, the financial branch is consulted continually on financial matters of such a great variety that it would be impossible to show them all on a chart. But I know you will all appreciate the various problems which are put up to them.

The next important branch is the secretary's branch. This appears on the chart which shows that the secretary is Mr. H. H. Turnbull, who is an experienced lawyer. It is felt that legal experience is very important in the secretarial work of a department such as this. You will note that we have as assistant secretary Mr. R. W. Maclean, who is also a lawyer somewhat junior to Mr. Turnbull, but none the less with considerable experience. Under the secretary's branch come all matters of communication, i.e. the handling of all incoming and outgoing mail, cables, teletypes, telegrams, radio-telegrams, etc. I propose to file an instruction letter which deals with the whole subject of communications and sets out in detail the duties of Mr. M. C. Tillotson, communications officer.

Under the secretary's branch come also tender opening, the care of securities, and British requisitions. The officer in charge of this division is Mr. W. R. Harris, who has been with the department, I think, practically since its inception.

Another important section or division under the secretary's branch is that of Orders in Council. This department consists of two officers with legal training, ten stenographers and one clerk. Their average is about twenty-five detailed orders in council per working day. I beg your pardon, not orders in council but recommendations to council seeking the passage of orders in council. Some of these recommendations run to three or four pages, because

[Mr. G. K. Sheils.]

there is a desire to recite all the relevant facts of each case so that the Privy Council may know all about the transaction on which they are being asked to pass judgment. The officer in charge of this orders in council division is Mr. J. E. M. Logan.

By the Chairman:

Q. Then does he keep a record of all the orders in council that are issued?—
A. Yes, sir.

By Mr. Pottier:

Q. What is the system of tender opening? Do they have a system similar to the system in the public works department, a formal procedure?

The CHAIRMAN: That has all been described. Mr. Sheils has described all that in detail.

Mr. POTTIER: I am sorry, I was not here.

The WITNESS: I think it appears in the first Minutes of Proceedings, sir.

By Mr. Gladstone:

Q. Is there any system justifying contacts by telephone rather than by letter or wire?—A. You mean checking on the expenditures?

Q. Checking as to the need?—A. Yes, sir. A slip is made out covering each long-distance telephone conversation, usually made out by the secretary of the officer who does the telephoning, or by the girl who places the call for him. And each month the cost of these calls is tabulated according to the officers making them and this is checked by Mr. Smyth with the officers concerned, and, if any case appears to be worthy of special attention, Mr. Smyth brings it to Mr. Tindale, who may on occasion bring it to me. But a definite record is kept of the cost of calls made by each officer, and this record is checked and any indicated action is taken.

Q. One would expect that the long-distance telephone cost would be huge, of course, in the urgency of the situation.—A. Yes. We issue periodical reminders to officers that letters should be used wherever the same purpose will be served, or a telegram or a radio telegram, the last mentioned of which costs us nothing. It is a service of the Department of National Defence.

Mr. BORDEN: The signal section.

The WITNESS: Yes, the signal section. Of course, we are limited to the type of matter which can be used in a radio-telegram because it is quite open to be detected.

The next important division of the secretary's branch is the Central Registry. This division is headed by Mr. W. J. Neville. I have five exhibits to file in connection with the central registry which deal with all important functions of that division.

There are eighty-four employees in that division now, consisting of a large number of messengers, office-boys, and clerks, who deal with the work in connection with the filing and handling of correspondence.

By the Chairman:

Q. Will you cite the exhibits?—A. I am going to cite the exhibits. Handling of mail; handling of United States mail, which is dealt with a little differently because we do not wish to advertise the fact that mail going into and travelling through the United States emanates from a war department; handling of secret and confidential correspondence; establishment and handling of files, and the inquiry desk at the main door, which comes under the control of central registry. This inquiry desk is in charge of an ex-soldier, a member of the Corps of Commissionaires, who is a paid member of the staff of our department.

Another exhibit which I will file and which deals in some measure with the operations of central registry is a regulation with respect to French correspondence. It is a strict ruling of the department that any letter which comes to us in the French language must be answered in that language. We have a small staff of translators who translate all these letters into English. If the officer to whom a letter is directed has not the French language, he writes his reply in English and the translators put it back into correct French. That is another matter which comes under the control of the secretary.

The secretary deals also with two important liaison functions. One is shown on the chart as Land and Expropriations. All expropriations of land and all acquisitions of land in connection with government owned companies, etc., in which our department is involved, are handled by Colonel F. F. Clarke of the Canadian National Railways, free of charge. Col. Clarke is an officer of long experience in connection with the real estate department of the Canadian National Railways.

Another very important liaison function of the secretary's office deals with workmen's compensation. I have a memo on that to which I should like to refer briefly. Until early this year all projects for war production sponsored by the Canadian or Allied governments operated, from a compensation point of view, under the jurisdiction of the provinces where located. The rates charged by the various provincial workmen's compensation boards were standard rates. In other words, government projects paid the same rates as would be paid by commercial organizations. After about one year's experience a comparison was made of our actual costs in fees or rates paid to those provincial compensation boards and the actual claims paid and pending, and it was found that we had paid considerably higher sums in fees or rates to the provincial workmen's compensation boards than it would have cost us to pay all such claims ourselves. As all projects of this type are financed exclusively by government funds, the contractors operating the same on a management fee basis, the Department of Justice was asked by us for a ruling if in their opinion the workmen on these projects could possibly be considered as coming under the Dominion Government Compensation Act. The opinion was given by Justice in the affirmative. The Department of Transport (Workmen's Compensation Branch) was then approached and they in turn communicated with the various provincial compensation boards concerned who agreed to the transfer from Provincial to Federal compensation of all these projects to which I have referred. This transfer was made retroactive to the commencement of the project, including construction. In one group of projects alone the saving made to date in connection with this move is close to \$1,000,000.

By Mr. Macdonald:

Q. What safeguards are there in connection with plants manufacturing explosives?—A. One of the principal safeguards is that in these explosives plants the buildings are so separated—the plant is so broken up into a great number of small units, each one with explosive protection around it—that it would be a most unlikely occurrence that the effect of any explosion would not be segregated and restricted. You will recall that an explosion took place in the Nobel plant sometime ago, but it was confined practically entirely to one building because of these safeguards.

All other projects which fall into the same or a similar category are under review and we believe will eventually be transferred to the same government compensation scheme. As certain plants for the production of rifles, guns, gun-carriages, etc., which are not yet producing, do come into production, we intend to place them also under the government compensation scheme, the Department of Justice having ruled that this may be done.

[Mr. G. K. Sheils.]

By Mr. Green:

Q. That is for workmen's compensation?—A. Yes, sir. The Department of Transport (Workmen's Compensation Branch) is co-operating very splendidly with us in this work. They, of course, take over the actual handling of all rates, claims, et cetera. We simply tie in with them as regards trying to get all possible projects under this plan so as to save money.

Q. Mr. Sheils, do you have any insurance on plants that are operated by government owned companies?—A. I could not catch your question.

Q. Do you carry insurance on plants which are operated by government owned companies?—A. You mean fire insurance, I presume, sir?

Q. Yes.—A. No. We follow the usual practice of the government carrying its own risk in such cases, and they are not insured.

By Mr. Bercovitch:

Q. Is that fire insurance?—A. Fire insurance, yes, sir.

The CHAIRMAN: Mr. Sheils says he has just one or two small items to present which he thinks he might be able to cover in about ten minutes. May we continue with Mr. Sheils?

Mr. BERCOVITCH: Will that finish Mr. Sheils' testimony?

The WITNESS: That will finish my explanation of the procedure and functioning of the department.

Mr. BERCOVITCH: Yes, let Mr. Sheils go on..

The WITNESS: Thank you, gentlemen. The next item to which I wish to refer is that of delegation of authority. This has been referred to briefly before. It was recognized very early in our operations that in view of the size of the department and its wide ramifications it would be absolutely essential to have considerable delegation of authority. It was recognized at the same time that it was equally necessary that this delegation be kept under close control. I wish now to file an exhibit which will show the officers of the department to whom the minister has delegated signing authority.

It will be noticed that, with the exception of myself and one or two other senior administrative officers, such as my executive assistants, the comptroller and the secretary, the delegation of authority is limited in each case to specific types of signing. For example, one officer may sign for the construction branch only. Another officer may sign for the aircraft branch only, and another officer may sign only certain types of documents within certain specified branches. When you study this exhibit, I think you will realize that this delegation of authority has been done in such a manner as to keep it under control.

By Mr. MacInnis:

Q. Is that exhibit going into the record?—A. Yes. The next item, and this is the last specific item, has to do with a question which came up right at the beginning, i.e. the necessity of having officers of this department available on short notice. Cases come up on Sundays or holidays or at any hour of the night, where some officer of the Department of National Defence has some urgent matter which he must deal with quickly, and he wants to know where he can reach the proper officer of the Department of Munitions and Supply to assist him. Similar cases arise in departments of the government other than the Department of National Defence. The matter has come up on occasion from the Prime Minister's office. Someone wishes to get in touch quickly with some officer of our Department. We have, therefore, filed with the office of the Prime Minister and with numerous other departments of the government, a list of nine officers of this department, including the minister, his secretary, myself, my secretary, my two executive assistants, the secretary of the department and the controller of the department, showing their house phone numbers as well as their office phone numbers. Each of these nine officers has in his possession at

his home a list of all the other officers of the department, showing their home telephone numbers, as well as their office telephone numbers. So that any one desiring to get in touch with any officer of the department may call any one of the nine shown on these lists. It was not considered desirable to hand out the lists of all the officers of the department to a great number of people. It will be appreciated that sometimes the officer outside the department who has an emergent problem to handle may not know exactly whom he should contact in our department—he might call two or three of our officers before he reached the right one. Our officers have little enough leisure time as it is and we do not want them disturbed unnecessarily. Sometimes, also, what appears to be a very complicated and urgent matter to an officer who is suddenly confronted with it may be known to me or to one of the other officers on the list of nine to be already well in hand in our department, and, therefore, not to require immediate contact with one of our operating officers. We feel, therefore, that it is better if the party who feels he must reach one of our officers immediately will call me or call one of the other officers on the list of nine so that we can settle with him whether he does in fact need to reach the particular officer he has in mind, and whether we should get that officer out of bed to deal with this matter. We have not to my knowledge had any complaints, since we adopted this practice months ago, of inability to reach an officer of our department on short notice.

Mr. Borden just points out to me that in dealing with our liaison work in the controllers department I omitted to refer to the Foreign Exchange Control Board. This liaison comes under our Mr. H. R. Smyth, the assistant controller, who is responsible for liaison with the Department of National Revenue, the Foreign Exchange Control Board, and the Wartime Industries Control Board, comprising all the controllers. We work very closely in contact with the Foreign Exchange Control Board so as to avoid any unnecessary expenditure of United States dollars. Where we have the alternative of placing an order in Canada at perhaps a slightly higher cost than placing it in the United States, if the cost is say 5 or 10 per cent higher we decide in favour of the Canadian source without reference to the Foreign Exchange Control Board. If, however, the spread between the Canadian cost and the cost of the United States article laid down in Canada runs 15 or 20 per cent we consult the Foreign Exchange Control Board and get their advice as to whether we should, despite that spread, purchase the Canadian article. We endeavour to co-operate with the board in its very difficult and important task of conserving United States exchange.

I think, gentlemen, that I have covered the functioning of the department as best I can. I hope you will appreciate that the department has grown very rapidly and that in consequence there have been times when temporarily the growth of the department has outstripped the formal setting up of procedures and the writing of formal instruction letters. These lapses have, however, been only temporary and we have caught up with ourselves and brought our procedures under formal control just as quickly as possible.

The department, as you will appreciate, is not a permanent department of the government, and we are thus handicapped in not having the experience of permanent departments and the regulations and procedures which have grown up within such departments and which have proven so valuable to them over a long period of years. We have had to make our own rules and set up our own procedures in many cases as we go along and therefore some of them may have been a bit sketchy at the start, but I believe we have brought them under control fairly well.

I do not think there is anything more I can say, sir, except to thank you and your committee for the exceptionally patient hearing which you have given to what must have been at times a very dry story. Thank you.

[Mr. G. K. Sheils.]

The CHAIRMAN: Mr. Sheils, I think we may now let you withdraw from the committee on the understanding that we may wish you to come back.

I should like to express on behalf of the committee our very great appreciation of the—may I say—splendid manner in which you have outlined the functioning of the Department of Munitions and Supply.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: We have had the manner in which that department functions placed before us in an exceedingly clear manner and we are greatly indebted to you.

Gentlemen, it may be of interest to you to know that Mr. Sheils like many of us is a returned soldier of the last war. He enlisted in the ranks, went overseas in the ranks and came back as a captain.

Mr. GRAHAM: Mr. Chairman, I bring up this matter while Mr. Sheils is here because I do not expect an answer. I bring it up more for your consideration as chairman. Like you I have been much impressed with the knowledge and the grasp of the affairs of the department displayed here by Mr. Sheils and those who have accompanied him. Our duty, as he probably knows, is to attempt to find if economy can be practised to a greater degree in war expenditures. I know that he is the deputy minister and he appeared before the committee in that capacity. Obviously, of course, he is an expert from all standpoints. Would it be possible for Mr. Sheils to divorce himself from the position of deputy minister and appear before this committee and frankly discuss possible economies in the working of the department? If he were freed from the official relationship that he occupies in the department—I do not know whether it is possible or not—he would be of great assistance to the committee in suggesting possible inquiry and consideration as to economies which may be reached in the department.

The CHAIRMAN: I am sure he will give consideration to your suggestion, Mr. Graham.

Now, when shall we meet again, to-morrow?

Some Hon. MEMBERS: To-morrow.

The CHAIRMAN: At 11 o'clock. I hope to have before you to-morrow either Mr. McIntyre, comptroller of the treasury, or Major General Locke, I am not sure which.

Mr. ABBOTT: Mr. Chairman, I do not know whether it is possible to change the hour, but the Pensions Committee is meeting to-morrow and we have representatives of the Legion coming before us to-morrow at 11 o'clock. Two or three other members of the committee are also on the Pensions Committee. If it were possible, for the convenience of the other members of the committee, to hold the meeting of this committee at another hour we should appreciate it.

The CHAIRMAN: All right, 4 o'clock to-morrow.

Mr. BLACK: It will not be very convenient for us to meet when the house is in session.

The CHAIRMAN: We shall adjourn now until 4 o'clock to-morrow.

The committee adjourned at 1.10 p.m. to meet to-morrow at 4 p.m.

APPENDIX I

DEPARTMENT OF MUNITIONS AND SUPPLY

List showing all Government-owned Companies incorporated by the Minister pursuant to sub-section (3) of Section 6 of The Department of Munitions and Supply Act, 1939 (second Session), Chapter 3 as amended by 1940 Chapter 31, and all Directors thereof.

Allied War Supplies Corporation—

Head Office, 420 Lagauchetière St., Montreal, P.Q.

Hon. C. A. Dunning

Harold Crabtree

W. D. Black

Beaudry Leman

Ross H. McMaster

J. Y. Murdock, K.C.

J. S. Norris

D. R. Turnbull

E. A. Wilson

Atlas Plant Extension Limited—

Head Office, Welland, Ont.

F. W. Grant

James G. Morrow

W. A. G. Kelley

Citadel Merchandising Co., Limited—

Head Office, 333 Canada Cement Building, Montreal, P.Q.

Thomas Arnold

L. J. Belnap

C. E. Gravel

J. D. Johnson

F. K. Morrow

Fairmont Co., Limited—

Head Office, 711 Montreal Trust Bldg.,

511 Place d'Armes, Montreal, P.Q.

W. A. Eden

J. A. Hodgson

W. L. Gatehouse

Frederick G. Donaldson

Aubrey H. Elder, K.C.

Louis L. Lang

Aubrey Davis

Federal Aircraft Limited—

Head Office, Insurance Exchange Building, Montreal, P.Q.

Ray Lawson

Sidney Dawes

G. Blair Gordon

Russell Smith

Allan Aitken

Miller Hyde

W. A. Newman

Melbourne Merchandising Limited—

Head Office, 1 Front St. W., Toronto, Ont.

Clement Tremblay

David C. Dick

W. P. Walker

Henry Brown

Henry Barrett

Plateau Company Limited—

Head Office, 70 Crawford St., Toronto, Ont.

J. D. Woods

C. C. Gordon Cockshutt

George A. Dobbie

Research Enterprises Limited—

Leaside, Ontario

Lieut. Col. W. E. Phillips, D.S.O., M.C.

A. L. Ainsworth

Col. O. M. Biggar, K.C.

G. H. Rainville

W. E. Ross

E. F. Burton

Small Arms Limited—

Long Branch, Ontario

G. S. Braden

N. P. Peterson

James I. Simpson

Paul Bourget

Wartime Housing Limited—

55 York Street, Toronto, Ont.

Joseph M. Pigott

Wilfrid Gagnon

William L. Somerville

Ernest Ingles

William E. Tibbs

Robert J. Gourley

Hedley C. Wilson

OTTAWA, Ontario,

March 26, 1941.

APPENDIX II

ESTIMATED AMOUNT OF WORKING CAPITAL REQUIRED BY PRIVATE COMPANIES FROM THE DEPARTMENT OF MUNITIONS
AND SUPPLY AND PAYMENTS MADE THEREUNDER UP TO AND INCLUDING FEBRUARY 28TH, 1941

(For Canadian Account only)

Name of Company	Address	Project	Allotments authorized by Treasury Board up to Feb. 28, 1941	Privy Council Authority Conveyed by:	Actual Payments to Feb. 28, 1941	Estimated Working Capital required
			\$		\$	\$
Anaconda American Brass Ltd.	New Toronto, Ont.	Manufacture of Sheet Brass.	150,000	P.C. 7268 (Dec. 11, 1940)	110,000	5,000,000
Canada Wire & Cable Co. Ltd.	Leaside, Ont.	Manufacture of Rod & Sheet Brass.	4,198,000	P.C. 553 (Jan. 24, 1941)	3,450,000	5,000,000
Canadian Pratt & Whitney Aircraft Ltd.	Longueuil, Que.	Aeroplane Propeller Overhaul Plant.	100,000	P.C. 1619 (Mar. 5, 1941)	.....	100,000
Canadian Pratt & Whitney Aircraft Ltd.	Longueuil, Que.	Aeroplane Propeller Manufacturing Plant	2,500,000	P.C. 1620 (Mar. 5, 1941)	.....	2,500,000
Defence Industries Limited	Windsor, Ont.	Manufacture of Carbamite.	200,000	P.C. 678 (Jan. 29, 1941)	54,000	200,000
Electric Steels Limited	Cap de Madeleine, Que.	Manufacture of Bombs.	575,000	P.C. 6486 (Nov. 14, 1940)	230,750	2,500,000
Electric Reduction Company of Canada, Ltd.	Buckingham, Que.	Manufacture of Chemicals.	350,000	P.C. 1399, 1400 (Feb. 26, 1941)	.....	350,000
Montreal Locomotive Works Ltd.	Montreal, Que.	Manufacture of Tanks and Gun Carriages	2,000,000	P.C. 5913 (Oct. 23, 1940)	50,000	10,000,000
Shawinigan Chemicals Limited	Shawinigan Falls, Que.	Manufacture of Monethylandine.	150,000	P.C. 1114 (Feb. 14, 1941)	96,000	200,000
			10,223,000		3,990,750	25,850,000

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SESSION 1940-41

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, MARCH 27, 1941

WITNESS:

Mr. B. G. McIntyre, Comptroller of the Treasury, Department of Finance.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

THURSDAY, March 27, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Picard, Pottier, Thorson.

Mr. B. G. McIntyre, Comptroller of the Treasury, Department of Finance, was called. He made a general statement on the functions of his Department, dealing more particularly with the control exercised on war expenditures, and was questioned.

Witness filed a copy of Order in Council P.C. 6695, dated Nov. 19, 1940, which appears as an Appendix to this day's evidence.

Witness also filed with the Clerk a chart showing the office of the Comptroller of the Treasury and the branches accounting for war expenditures.

At 6 o'clock, the Committee adjourned until to-morrow, Friday, at 11 p.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

March 27, 1941.

The Special Committee on War Expenditures met this day at 4 o'clock. The Chairman, W. J. Thorson, presided.

The CHAIRMAN: Before I call on Mr. McIntyre, I should inform the committee that Mr. Sheils has had prepared for the use of the committee a set of the instruction letters to which he made reference during the course of his evidence. They have all been bound together in book form. This book is available and one will be distributed to each member of the committee.

Gentlemen, we have with us to-day Mr. B. G. McIntyre, Comptroller of the Treasury. He will outline to the committee the various treasury checks and controls with regard to expenditures generally and war expenditures particularly. I will ask Mr. McIntyre to proceed.

B. G. MCINTYRE, Comptroller of the Treasury, called.

The WITNESS: Mr. Chairman and gentlemen, I shall commence by indicating in a brief way the origin and organization of the office of the Comptroller of the Treasury. I shall follow this with an outline of the duties and responsibilities placed on this office, and then continue with a more detailed description of all the checks and controls we exercise over expenditures, dealing in particular with war expenditures.

At the outset I should like to ask that I be permitted to refer to this rather long term—"office of the Comptroller of the Treasury"—as "the treasury." That is what we are accustomed to using within our own organization in order to shorten up the mention of the office.

Also at this point I think it would be well to clear up an apparent misunderstanding on the part of many persons who consider the office of the Comptroller of the Treasury and Treasury Board as one and the same organization. It is not. The Treasury Board is an executive committee of the Cabinet, of which the Minister of Finance is chairman, and the Deputy Minister of Finance is secretary. Treasury Board prescribes rules and regulations, considers many of the financial matters and recommends these for approval to the Governor in Council. The office of the Comptroller of the Treasury, on the other hand, is purely an administrative organization responsible to the Minister of Finance.

As to the origin of the office, prior to 1932 each department or other division of the service had its own accounting organization and made payments from the Consolidated Revenue Fund, chargeable to the appropriation granted by parliament. This system had some weaknesses, among them the position in which departments were placed to over-incur expenditures with their resultant overdrafts in the appropriations at times. These overdrafts were sometimes substantial. In addition, the departments were the sole auditors of their own accounts before they were paid. The Auditor General carried out his post audit, but there was no independent audit before payment.

The amendments to the Consolidated Revenue and Audit Act, approved by parliament in 1932, were designed to correct the shortcomings of the old Act. The amendments provided for the appointment of a Comptroller of the Treasury, and placed on this officer certain controlling functions, such as exclusive power to

make payments out of the Consolidated Revenue Fund. This change over from the departments to the Comptroller involved the transfer of certain accounting staffs of the departments to the Department of Finance, and placed them under the direction and control of the Comptroller of the Treasury. The authority for this transfer was contained in Section 36 of the Act.

I propose to describe in greater detail the duties and responsibilities a little later on, but at this point I should like to refer in a general way to the present organization and set-up.

By the Chairman:

Q. At this point may I ask if it would be correct to say that the amendments of 1932 brought about centralized audit in the government service?—
A. That is correct. It brought about centralized audit before payment. On taking over the accounting staffs of the departments, it was necessary in the interests of efficiency, to arrange for the accounting branches pertaining to each large department to remain in proximity to the departmental organization. The result is that our present organization comprises a main office and 31 branch offices at Ottawa, with 45 district offices located at outside points in Canada. There is also one branch overseas, which was established in December, 1939, when the first of Canada's armed forces went overseas.

Each branch organization at Ottawa comprises a chief treasury officer and staff in each of the large departments, with the accounting requirements of smaller departments or branches of the service being taken care of through one of the larger branches, or in some instances by a consolidated office for several small departments. An example of that is found in our east block organization. There we take care of the Department of Finance, External Affairs, Privy Council, Prime Minister's office and the Governor General's secretary. They are all small departments from an accounting standpoint.

In the Department of National Defence we have district offices across Canada in the eleven military districts also we have offices at the Lindsay and Quebec arsenals now under the Department of Munitions and Supply. In the Department of Pensions we have nine district offices, also across Canada; and in the National Harbours Board, an accounting service that we took over at the time the board was formed, we have five district offices. We also have two offices for the Department of Public Works, one on the Pacific and the other at Amherst, Nova Scotia, and an office for the Board of Grain Commissioners at Winnipeg. We found it necessary to continue these district treasury accounting offices similar to the accounting offices that were in effect when we took over the work from the departments.

When the war started the treasury staff numbered 1,122. It is now 2,743. Of this number 1,883 are at Ottawa, compared with 872 at the outbreak of war; and 726 in district offices against 250 when the war started. We have 134 in the overseas office.

The increase may be summarized in this way. For national defence services in general—that is, army, navy and air—the increase has been 832; in the Dependents' Allowance and Assigned Pay Branch, 445, this is a new organization. Overseas office, 134. Munitions and Supply, 113, including the cost accounting division. Our central organization, including the central pay services, 56. Other war services such as National War Services, internment operations, and so on, 41.

All appointments to the treasury staff in Canada have been made by the Civil Service Commission. In the overseas office, appointments have been made by Order in Council, as the Civil Service Commission has no recruiting organization overseas.

To indicate in a brief way the volume of work at the present time the monthly cheque issue is now 580,000, or 23,000 payments a day; and double

[Mr. B. G. McIntyre.]

what it was prior to the war. This does not include cheques for members of the armed forces outside of dependents' allowances, because the members of the forces are paid in cash. The largest single cheque paying office is the Dependents' Allowance and Assigned Pay Branch where 169,000 cheques were issued in February and at the same time this branch accounted for and remitted 31,000 items as payments of insurance premiums for soldiers.

By Mr. Green:

Q. That is a service to help the soldiers, is it?—A. The soldiers were given the privilege of making an assignment from their pay, to pay an insurance premium on a policy taken out with a private insurance company; and upon that assignment being made and the documents made out, it is sent on to this central branch here at Ottawa, where the account is put into effect in favour of the insurance company and we pay it each month. That item continues to show as a deduction on the man's pay account throughout the period the assignment is in effect. As another indication of the volume of work in this office, there were 27,000 changes in the accounts that we have set up during the month of February alone. They are made up of new accounts coming in, changes of address, changes of rates and particulars, and accounts that are discontinued.

At this point I should like, with permission of the committee, to voice a word of praise for the whole-hearted support and loyalty to duty that was evidenced by the staff during the pressing emergency that we passed through, particularly during the first six months of the war, when they were called upon to work many long hours of overtime. Sixty-five per cent of the staff is made up of grade 1 and grade 2 clerks, and they performed these overtime services gladly. We have been able to improve matters quite a bit since then; and the occasions for overtime, while they have not disappeared entirely, do not occur now except under special conditions.

By the Chairman:

Q. Were these clerks remunerated for overtime services?—A. No, sir. There is no remuneration for overtime in the salaried services of the government.

By Mr. Fournier:

Q. Would it be taken into account for their holidays?—A. The overtime that these clerks work is accumulated to their credit and they may be allowed compensating leave; but as conditions are at the present time that will not be for a considerable time.

Q. But you keep an account of that overtime and later on these people can get longer vacations or holidays?—A. That is correct.

By Mr. Green:

Q. That applies to both temporary and permanent staffs, does it?—A. Yes, it does; it applies to both temporaries and permanents.

By the Chairman:

Q. Are the additions that have been made to the staff temporary?—A. Yes.

Q. Or are some of them permanent?—A. They are all temporary employees.

By Mr. MacInnis:

Q. What are the conditions for temporary employees in the matter of sick leave?—A. So far as our office is concerned, all employees who have worked overtime may count that for sick leave in addition to the sick leave credit they are allowed under the regulations. The credit commences, I believe, under the regulations after the first six months of service; they are entitled to one-and-a-half days a month. I believe it is one-and-a-half days.

By Mr. Cleaver:

Q. Is that leave only for actual sickness or is that leave at the discretion of the individual concerned?—A. That is a rather difficult question to answer in that I do not know that the departments in general endeavour to keep a close check on sick leave, to see to it that leave is granted only for real sick leave.

By Mr. Fournier:

Q. At all events, they come under the civil service regulations?—A. That is correct.

Q. They are appointed by the Civil Service Commission and they come under those regulations?—A. That is correct.

I come now to a more detailed description of the duties and responsibilities as placed on the office of Comptroller by the Consolidated Revenue and Audit Act. The Consolidated Revenue and Audit Act is the statutory provision for the office of the Comptroller of the Treasury and it prescribes the duties and responsibilities of the comptroller. The principal sections of the Act defining these duties and responsibilities will be referred to in a few moments. In addition, we have the duties placed on us by executive orders, rules and regulations made by Treasury Board and the Governor in Council. We must also take into consideration Acts of Parliament applicable to particular departments of the government as well as general Acts applying to all departments and branches of the service. An example of the latter is the Civil Service Act. Section 21 of the Consolidated Revenue and Audit Act authorizes the Governor in Council to appoint a Comptroller of the Treasury "for the purpose of maintaining more complete control over the administration of the Consolidated Revenue Fund", and states further that the Comptroller "shall be charged with the performance of the duties assigned to him by the Act and such other duties as may from time to time be assigned to him by the Governor in Council".

As to the duties, section 27, subsection 1, prescribes how issues of public moneys may be made, as follows:—

All issues of public moneys out of the Consolidated Revenue Fund shall be made under the direction and control of the comptroller by cheque or other instrument as the treasury board may from time to time direct, but no such issue shall be made in excess of any appropriation authorized by parliament.

Going on to subsection 3 of section 27, this places on the comptroller authority to prescribe the form of application for a cheque and authority to define what documents shall accompany the application; that is to say, what supporting documents shall accompany it, such as invoices.

Every application of a department or office of the public service for an issue of public moneys out of the consolidated revenue fund to defray the expenses of the services coming under its control shall be in such form, accompanied by such documents and certified in such manner as the comptroller may require.

And subsection (4) restricts the issues to the amount of parliamentary authority when it states:—

No issue of public moneys out of the consolidated revenue fund shall be made unless the comptroller or an officer designated by him shall have certified that there is a balance available in the appropriation authorized by parliament for the specified service.

We have prescribed forms of applications that are in general use throughout the service, C.T. 17 A, and C.T. 17 B are the forms generally in use. Now

[Mr. B. G. McIntyre.]

in addition to that there are in use special forms to meet the special requirements of the different services. The form of application in itself is not an important document in applying for a cheque; it is the supporting invoice or other documents that count the most.

Section 30 of the Act places on the deputy minister or other officer charged with the administration of the particular service the obligation to certify.

. . . that such work has been performed, or such materials supplied, as the case may be, and that the price charged is according to contract, or if not covered by contract, is fair and just.

Another duty of the comptroller is to maintain control over commitments and section 29(1) provides:—

No contract, agreement, or undertaking of any nature, involving a charge on the consolidated revenue fund, shall be entered into, or have any force or effect, unless the comptroller, or an officer of the Department of Finance designated by him and approved by the treasury board, shall have certified that there is a sufficient unencumbered balance available, out of the amount authorized by parliament for the particular service, to pay any commitments under such contract, agreement or undertaking which would, under the provisions thereof, come in course of payment during the fiscal year in which such contract, agreement or undertaking is made or entered into.

Amplifying the provisions of this section, under section 26 we are required to make any existing commitment a first charge to the appropriation at the commencement of each fiscal year.

By Mr. Gladstone:

Q. Do you take any control of the specifications; that is to say that this type of building is more costly than another or a cheaper type of building would serve the purpose?—A. No; we do not take any part in that. To do that we would have to have a staff of engineers and technicians.

By Mr. Fournier:

Q. Mr. McIntyre, I wonder if it would be much trouble to have a copy of this Audit Act made available to the members of the committee—not to-day, perhaps to-morrow?—A. Copies for each member?

Q. Yes, if you could.—A. That completes the reference to the provisions of the Act itself.

The details of how these duties and responsibilities are carried out will be revealed in outlining the system of accounting in operation. However, before going on to describe the system of accounting the provisions of Order in Council P.C. 6695 that was passed in November, 1940, should be given some consideration. The Order in Council deals with commitments and expenditures under the war program. The first questions that might be asked are: What was the purpose of this order? Why was it necessary? In brief, the answer is: To insure an overall control of the war program by the Governor in Council and the war committee of the cabinet and to solve the difficulty of commitment accounting due to the amount of the war appropriation being less than the amount required for the fiscal year.

During 1939-40, we carried on with the peace-time method of accounting for expenditures and commitments under the war appropriation, but early in 1940 it was found that conditions surrounding war commitments and expenditures demanded that steps be taken to lay down a procedure that would be more

in line with war requirements. This was accomplished by passing Order in Council P.C. 6695, paragraph 1 of which sets out:—

War programs shall, in the first instance, be submitted for the approval of the Governor in Council or the war committee and any major changes in or additions to an approved program shall also be submitted for the approval of the Governor in Council or the war committee.

By the Chairman:

Q. Have you a copy of that Order in Council?—A. Yes, I have.

The CHAIRMAN: That can be filed.

Mr. POTTIER: Can we have a copy of this Order in Council, Mr. Chairman?

Mr. BRADETTE: Let us have it printed in the report.

The CHAIRMAN: This Order in Council is of such importance that I suggest it be printed as an appendix to to-day's proceedings. It is the governing Order in Council relating to control of war expenditures and commitments and contains certain modifications of the provisions of the Consolidated Revenue and Audit Act and made necessary by the war situation. Is that correct?

The WITNESS: That is correct.

The CHAIRMAN: This Order in Council P.C. 6695, dated the 19th day of November, 1940, will be printed as an appendix to to-day's proceedings.

The WITNESS: Paragraph (1) of this Order in Council goes on to provide that

When submitting any original program or changes in or additions to an approved program the department concerned shall furnish in as much detail as is practicable at that time the information required under the next succeeding regulation.

By requiring the different war services to comply with the provisions of this paragraph, the Governor in Council and the war committee of the cabinet are in a position to maintain an overall control over the projected program of war expenditures.

This is followed by provision of paragraph (2), which sets out:—

By the Chairman:

Q. Can you describe the manner in which paragraph (1) is worked out?—

A. Worked out from an accounting standpoint?

Q. Yes.—A. I have that described when I come to setting out the accounting for commitments and expenditures a few pages further on.

The CHAIRMAN: All right.

The WITNESS: Paragraph (2) sets out that when the estimates of the war requirements have been approved by the Governor in Council or the war committee, they shall be submitted by the departments concerned to treasury board in the prescribed detail for approval.

It is this detailed submission to treasury board that is the important feature of the order, from the accounting standpoint. It lays down requirements which, when complied with, give treasury board the information necessary to enable the board to appraise what the projected program involves, both from a financial and a production standpoint.

The detailed breakdown which is required by the board before the estimates are approved serves to simplify the subsequent accounting for the commitments that are authorized. This holds true in particular with respect to the requirements that projected expenditures must be allocated to the respective fiscal year in which the expenditures may come for payment.

[Mr. B. G. McIntyre.]

Paragraph (3) of the same order provides:—

Such estimates when approved by the treasury board shall constitute the authorized program of the department concerned and the comptroller of the treasury, or an officer of the Department of Finance designated by him and approved by the treasury board, may issue financial encumbrances up to the amounts so approved.

From the standpoint of maintaining an overall financial control over the projected program of war expenditures, this commitment limitation, namely, total of the approved program, is much better than what would obtain were we to continue to make commitments under the provisions of section 29 of the Act.

By the Chairman:

Q. Of the Consolidated— A. Of the Consolidated Revenue and Audit Act.

As a matter of fact, it was not possible for us to continue certifying under this section of the Act, because as already admitted the war appropriation granted for the current year is not sufficient to meet cash expenditure requirements that will come for payment before the year is finished.

Q. Would you mind elaborating that a little further, Mr. McIntyre? Give us some illustration.—A. Section 29 of the Act provides that we are required to certify a commitment up to the amount that is anticipated will come for payment in that year and chargeable to that service. With the war program operating on the same basis and admitting that we have not sufficient war appropriation to pay what would come against us in the year, we were precluded from certifying beyond the amount that would exhaust the available balance in the war appropriation and we could not make any allowance for the possible margin of error in the estimate of what would have to be paid before the year end. Under the procedure, laid down by the Order in Council, we are limited in commitment authority to the over-all approved program; in other words, we maintain a control over the whole program and know what it is anticipated will come for payment this year.

Q. Could you, by way of illustration of the difference, give us a concrete type of case where the limitations imposed upon you by the Consolidated Revenue and Audit Act would have involved different restrictions were it not for P.C. 6695?—A. I would say that were it not for this Order in Council orders for further supplies that it was anticipated would come for payment in 1940-41, would have stopped say last January.

The CHAIRMAN: That is, the certification of them.

By Mr. Fournier:

Q. Are we to understand that you have unlimited power to certify commitments, although it goes over the definite amount of the appropriation?—A. That is correct, under this order.

By Mr. Pottier:

Q. We would have had to stop last January?—A. Well, we were precluded from certifying to a commitment that could not be provided for out of the appropriation that had been granted.

Q. You mean, your appropriation had been used up?—A. When the appropriation is used up.

By Mr. Marshall:

Q. Your branch certifies that there is a certain amount available for a contract made in the Department of Munitions and Supply?—A. Yes.

Q. Well, have the operations of the Department of Munitions and Supply been impeded in any way during the last few months on account of that situation you have just described?—A. Well, the situation has not arisen because the Order in Council was passed last November before we would run into any such difficulty.

Q. So that it would not be correct to say that contracts commitments have been slowed up in any way by the treasury department?—A. In no way.

By Mr. Diefenbaker:

Q. Nor were slowed up prior to the 19th of November, 1940?—A. No, there was no holding up at any time because the appropriation situation that I have described would not come into existence until the latter part of the year because we have seven hundred millions appropriated this year, which is not far from what we will require, and sufficient to give all the committing authority for well into the year.

The CHAIRMAN: And that was the appropriation made, when?

Mr. GREEN: That would be the war appropriation of last session, would it not?

Mr. POTTIER: It was made in May or June.

The CHAIRMAN: It was later than that, wasn't it?

Mr. POTTIER: It was in May.

By the Chairman:

Q. What was the date of the \$700,000,000 appropriation?—A. The 29th of May, 1940.

By Mr. Marshall:

Q. So that at no time have the operations of the Department of Munitions and Supply been slowed down by any financial restrictions of any sort; there have been no financial restrictions on the Department of Munitions and Supply?—A. There has been no holding up in the performance of their work.

Mr. MARSHALL: That is what I wanted to get at.

By Mr. Fournier:

Q. But there was danger of it being held up in February of this year if this Order in Council had not been passed?—A. That is correct.

By Mr. Diefenbaker:

Q. Can you explain this: What number of times does that order apply; or, to what time does it extend?—A. Do you mean, when does this expire?

Q. Yes.—A. It has, as it is worded, a continuing effect from the date thereof as applying to war appropriations.

Q. Would you explain this then: Parliament was in session at that time; is there any reason why an amendment should not have been submitted to parliament instead of having it put through by way of Order in Council?

Mr. FOURNIER: That is not a fair question for this witness to answer.

Mr. DIEFENBAKER: I am asking him. He is not objecting.

The CHAIRMAN: That is hardly, I think, a question for this witness.

Mr. DIEFENBAKER: Well, Mr. Chairman, I asked the witness; if the witness says he cannot answer it that is a matter for him to decide. Surely my friend does not know whether the witness can answer or not with respect to that.

Mr. ABBOTT: I would suggest that it is up to the chairman to decide whether he should answer or not.

[Mr. B. G. McIntyre.]

The CHAIRMAN: What was your question again?

Mr. DIEFENBAKER: Whether there was any reason why that amendment should not have been submitted to parliament at the time instead of having been put through by way of Order in Council.

The CHAIRMAN: This witness is an administrative officer carrying out the duties that are assigned to him. The policy of passing an Order in Council is surely not a matter for him to deal with.

Mr. DIEFENBAKER: Do you rule, Mr. Chairman, that the question is not admissible because it is a matter of policy; is that your ruling?

The CHAIRMAN: Well, I have already indicated my view.

Mr. DIEFENBAKER: That is your ruling?

The CHAIRMAN: You can put whatever interpretation you like on the matter.

Mr. DIEFENBAKER: I think, Mr. Chairman, I have a right to know why a question like that should not be answered.

The CHAIRMAN: Well, if the witness knows of any reason apart from matters of policy and which he considers it appropriate for him to answer in his capacity as an administrative officer, that is for the witness to determine.

Mr. ABBOTT: Surely it is not the function of a civil servant to decide whether a statute should be amended by Order in Council or otherwise.

The CHAIRMAN: That is what I indicated in my first statement on the matter.

By Mr. Fournier:

Q. Would it be fair to ask the witness, was this Order in Council passed under any special statute relating to the war?—A. Under the War Appropriations Act.

Mr. FOURNIER: Is there anything in the War Measures Act giving authority to the government to pass an Order in Council of this kind?

Mr. DIEFENBAKER: It has no relation to war, that is what I say.

The CHAIRMAN: What does the preamble say? What does the preamble of the Order in Council say?

The WITNESS: The Order in Council was passed under section (e) of paragraph 5 of the War Appropriations Act, 1940.

By the Chairman:

Q. Are you sure of that?—A. Yes, here it is (indicating). It is set out in paragraph (e).

The CHAIRMAN: Paragraph (e) of sub-section 1 of section 5; the Order in Council recites that paragraph (e) of sub-section 1 of section 5 of the War Appropriations Act of 1940—"Empowers the Governor-in-Council to make regulations prescribing administrative practices with respect to the making of financial commitments."

By Mr. MacInnis:

Q. Financial commitments under that Act?—A. Under the War Appropriation Act.

The CHAIRMAN: I read the paragraph of the preamble as it is contained in the order-in-council.

By Mr. Green:

Q. Does that cover appropriations under the War Appropriation Act of 1941 also?—A. You mean, this Order in Council?

Q. Yes.—A. I would say the Order in Council has continuing effect, but it would be better to have a legal opinion on that.

Mr. BRADETTE: Following the question raised by Mr. Diefenbaker, surely the government must have had authority to pass this Order in Council without asking parliament to have an amendment made to the War Measures Act; otherwise, the department would have been taking some jurisdiction which they had no right to. We want that made clear in the record of the committee because we must come to a final conclusion on it. The idea may be left in the minds of the committee, at least it is in my mind, unless they had the power under that Act to act through Order in Council then the government should have asked for an amendment. The point is, they don't have to have an amendment to the Act, they have the authority to do that under the clause cited from the Act.

Mr. CLEAVER: I do not think there is any question but what they had power to do that by Order in Council. As I understand Mr. Diefenbaker's question is as to whether it should have been done by parliament when the house was in session. I suppose the obvious explanation is that until the end of the fiscal year no one could estimate accurately what the total cost of the war would be for the fiscal year. The estimates brought down are as accurate as they can be at the time but with the changing war conditions the amounts required obviously must change.

The CHAIRMAN: I wonder if we could not meet the situation arising out of the question put by Mr. Diefenbaker in this way: What was the consideration that made the passing of the Order in Council necessary, leaving out the question of whether that should have been done by the Governor-in-Council when parliament was sitting—which I suggest is a question which is not before this committee.

Some Hon. MEMBERS: No.

By the Chairman:

Q. Have you anything to offer in that regard, Mr. McIntyre, that might be of use to the committee?—A. I do not know that I can add anything to what I have already said on that point.

Q. You have already covered that ground to some extent and set out the reasons that made a change necessary from the ordinary peace time procedure prescribed by the Consolidated Revenue and Audit Act?—A. That is correct.

Q. Have you anything to add to what you told us on that subject?—A. One way to have made it quite unnecessary to pass that order, except to obtain the over-all control of commitments that the government wish to have, would have been to have made sure that the war appropriation that was passed last May was sufficient, without any question of doubt, to meet all of the expenditure requirements for this year. The matter of how much would be required for the war appropriation in May of last year was admitted to be—

By Mr. Abbott:

Q. Did the Order in Council—I have not seen it yet—authorize you to approve commitments in excess of \$700,000,000?—A. It authorized us to approve commitments up to the amount of the approved war program, which included over-all commitments for this year and going into next year.

By Mr. Bradette:

Q. But it was not for the sum of \$700,000,00 originally; it was just the program you had before you then, not for the whole appropriation?—A. Oh, no.

[Mr. B. G. McIntyre.]

By Mr. Diefenbaker:

Q. Under that Order in Council, after the expenditure of the \$700,000,000, you could approve expenditures beyond that amount?—A. But we could not pay.

Q. You could not pay, but you could approve?—A. We could approve of the requisitions going forward, or certify them within the terms of that order, not under Section 29 of the Act.

Q. Under the terms of that Order in Council you could certify?—A. The certificate is given under that order and not under Section 29 of the Consolidated Revenue and Audit Act.

By the Chairman:

Q. I suppose changes in the war program, such as decisions to do certain things involving other commitments, would come into the question, Mr. McIntyre?—A. I do not get your point.

Q. The war program might shift and increase from time to time.—A. The passing of that order, I would say, was the only way the government could establish that elasticity in the operation of the accounts that was necessary for war purposes.

Q. Supposing, for example, at the time the War Appropriations Act is passed these war appropriations are estimated on the basis of a war program that has been laid down; then supposing it is decided that certain other things shall be done, that there shall be other divisions sent overseas or that the government should engage in the production of articles other than those contemplated at the time the estimates were made for the war appropriation, those would be all considerations that would govern additional commitments?—A. That is correct.

Q. And if you did not have something such as P.C. 6695 you would be limited in your powers by the actual War Appropriations Act?—A. Well, I would cease to deal with those documents under the provisions of the Consolidated Revenue and Audit Act altogether. They might even go ahead and pass their orders, but it would be far better to have those contract demands passed through the usual routine and be certified in the usual way and brought as a charge against the program of war expenditures that had been formally approved by the Governor in Council.

By Mr. Green:

Q. Under the Order in Council you would pass your approval requisitions on the approved war program rather than on the appropriation?—A. That is correct, and the certificate is given under the authority of this Order in Council.

Q. I do not quite understand about payments. While you may approve a requisition, you cannot pay until the appropriation is actually made by parliament; is that the situation?—A. That is correct.

By the Chairman:

Q. Unless payments are made by Royal Warrant in the meantime, or something of that kind?—A. Yes, that could happen, as it did happen last spring.

By Mr. Green:

Q. For example, there is a bill now coming before the house for an appropriation of \$135,000,000, which I understand is the balance that is required to meet the war appropriations for the fiscal year which ends on the 31st of March, and you have not been able to pay any of that \$135,000,000 in the meantime.—A. Not at all.

By Mr. Fournier:

Q. If it were granted by Governor General's warrant?—A. If a Governor General's warrant was granted when the house was not in session, which is the only time that a warrant may be granted, we can pay on that in addition to the appropriation. That is covered by a section in the Act.

By the Chairman:

Q. What section is that—A. Section 25 gives the power to pass a governor general's warrant.

Q. Under the conditions set forth in the section?—A. Yes.

Q. Will you continue from there, please?—A. I was just about to deal with the war appropriation for this year of \$700,000,000.

Q. When you say, "this year," what do you mean?—A. 1940-41.

Q. The fiscal year ending March 31, 1941?—A. That is correct. Commencing with the first war appropriation it was arranged that allotments to be drawn down by a war service must be approved and granted by Treasury Board.

Q. That was the first war appropriation?—A. That was the first war appropriation. And the same applies to this war appropriation, the current war appropriation for this year. The appropriation is granted en bloc and must then be allotted to the different war services. Treasury Board has taken unto itself power to control the allotments.

Q. When you state "the first war appropriation," you are speaking of the war appropriation in the special session of 1939?—A. That is correct.

By Mr. Marshall:

Q. Under that amount of \$700,000,000?—A. No; \$100,000,000. The section which deals with that is:—

Within the appropriations made by parliament for war expenditures, the Treasury Board shall from time to time authorize and determine the amounts which may be paid out of the Consolidated Revenue Fund for such purposes. Expenditures under contracts, agreements or undertakings in respect of which financial encumbrances have been issued, shall only be paid up to the unexpended portion of the aggregate amounts so allotted.

Treasury Board found it necessary as well as desirable, from an administrative control standpoint, to make these allotments during the current year on a basis of two months' supply at a time. To have attempted to allot the \$700,000,000 for the full year would have led to difficulties because of the fact that the appropriation would not have provided for what all of the services asked for or would ask for. The amount that is granted each of the departments out of the war appropriation is allocated to the different operating functions of particular services, and our accounts are opened up and operated on this basis. It is to these allotments that we charge the expenditures when payments are made.

This brings me to the point where the accounts are set up. The first operation is to set up the accounts for each of the allotments of the war estimates, as approved by Treasury Board. This places us in a position to certify their contract demands to the Department of Munitions and Supply up to the amount of the estimate so approved by the Treasury Board. The other initial set-up in the accounts is the allotments from the war appropriation. They also are allotted by Treasury Board and, when we are advised of the amount, the war appropriation allotment accounts are opened. With these credits we are then in a position to pay accounts that are in order for payment up to the amount allotted by Treasury Board.

[Mr. B. G. McIntyre.]

By Mr. Pottier:

Q. Is the amount allotted and ear-marked for special things, or is that a general credit for two months?—A. That may vary. For some services the amount granted is en bloc, subject to allotment to the different functions of the service by the Department. In other services it may be granted in detail.

By the Chairman:

Q. There might be an allocation to specific projects?—A. Yes; munitions and supply is a case in point. The allotments that were granted for munitions and supply were defined as for particular projects when authorized by Treasury Board.

By Mr. Marshall:

Q. Particular projects, not particular branches?—A. Not particular branches.

By the Chairman:

Q. Would you give us some illustrations of what you have in mind?—A. The Department of Munitions and Supply ask for the authorization of an amount to provide for the construction of a plant. Treasury Board may authorize the amount for that plant alone. I think the explanation of that is founded on the fact that the munitions and supply program at the commencement of the year was, in so far as identifying expenditures with the different projects is concerned, somewhat less defined than you would find in the fighting services.

By Mr. Pottier:

Q. You would have to the credit of that plant, you say, so much money; and you would draw against the credit for that plant. Suppose you had charged up more than the credit for that plant. What would happen then?—A. A request for payment?

Q. Yes. Suppose you have the ear-marked allotment expended. What happens then?—A. We would not make any further payments.

Q. Does the machinery stop? Does the plant stop?—A. No; inasmuch as the department was free to go back to the treasury board and get supplementary allotment.

By Mr. Green:

Q. The treasury board could make another allotment?—A. Yes.

By Mr. Marshall:

Q. Would your contract demands not cover that? Would not the number of contract demands that you would have with respect to any industry be sufficient to cover all these accounts that may come in?—A. The contract demand sets out the proposed requirements for a particular job. Conditions may arise that will involve an expenditure in excess of the amount that was provided for in the original contract demand. Then it is necessary to go through the procedure of raising an additional contract demand and obtaining the necessary authorization.

Q. Your second contract demand would enable you to put to the credit of that particular project an extra amount of money, would it not?—A. Yes; not the contract demand in itself unless the funds were available or had been granted by treasury board for the purpose or for the service.

Q. If the department approved of that contract demand, would you not permit that particular project to credit themselves with that particular amount of money?

Mr. FOURNIER: Not without the authorization of the treasury board.

The CHAIRMAN: Exactly.

Mr. MARSHALL: They have it through their comptroller's branch.

The CHAIRMAN: Would it not work out in this way, Mr. Marshall? If the allotment were all used up by existing contract demands and a new contract demand came in for which there was not an adequate allotment, then steps would have to be taken to see that there was an additional allotment made in order to enable that contract demand to be met.

Mr. MARSHALL: True. But that contract demand would have to be approved by the comptroller's branch before the contract demand would be—

The CHAIRMAN: Further dealt with.

Mr. MARSHALL: Yes; before it would be further dealt with.

The CHAIRMAN: That might involve, of course, an allocation of a further allotment.

Mr. MARSHALL: It would, naturally, in my opinion.

By Mr. Pottier:

Q. What is the delay that is caused? How long does it take, usually, before you can get a second allotment?—A. When the department applies to treasury board, there is no reason why the supplementary allotment should not be dealt with and made available to them within a week.

The CHAIRMAN: All right, Mr. McIntyre, you may proceed.

The WITNESS: This brings me now to describing the operations of the accounts themselves. After getting the allotment set up, the first operation leading up to an expenditure is the commitment. Here is how the proposed expenditure is brought to account in the first instance. The responsible officers of the Department of National Defence—and I am dealing now with expenditures of a routine nature as applied to the Department of National Defence—raise a contract demand, which sets out a description of the stores or services required, including quantities and estimated cost. It is signed by the responsible officers of the department and must be signed by the minister, if in excess of \$50,000.

By the Chairman:

Q. What minister?—A. The Minister of National Defence.

By Mr. Marshall:

Q. The same thing would apply to the Minister of Munitions and Supply, would it not, if it were a contract demand from that department?—A. Yes. It would apply in the same way. The contract demand is submitted to treasury for certification that the amount is provided for in the authorized program of war expenditures as approved by treasury board for this service. If it is found that the proposed expenditure is in the authorized program, the contract demand is certified by a duly authorized officer of the treasury and the form of certificate reads:

“Certified and recorded under the provisions of Order in Council P.C. 6695, of November 19, 1940.”

Thereafter the contract demand is known in our accounting terminology as a “financial encumbrance.” We have encumbered the allotment to that extent. The amount is entered as a commitment in the account we operate for each allotment of the approved program, and the financial encumbrance is then passed to the Department of Munitions and Supply through the officers of the Department of National Defence, to proceed with the purchasing routine.

In the Department of Munitions and Supply the financial encumbrance passes through the prescribed purchasing routine, which culminates in a for-

[Mr. B. G. McIntyre.]

mal contract being made or an order placed with one or more contractors. Each contract or order is confirmed by the issue of an acceptance of tender by the Department of Munitions and Supply. This document sets out the quantities and prices, terms of delivery, etc. One duly signed copy of acceptance of tender is forwarded to the treasury officer in national defence, where the account will be tendered for payment. Here it is recorded and filed in alphabetical sequence to await the account from the contractor. Other copies are sent to the proper officers in national defence. When the order involves an expenditure of \$5,000 or more, it is necessary for the Department of Munitions and Supply to obtain an Order in Council approving of the purchase and a copy of this is also received, recorded and filed by the treasury officer concerned.

Dealing first with the invoices for stores, equipment and services, the next step in the accounting is the audit and payment of the accounts from the contractor. When the orders are for stores, equipment and other supplies, the contractor forwards all invoices to the Department of Munitions and Supply at Ottawa (except for local purchases, etc). These invoices are passed by the department to the proper officers in national defence where they are checked to the acceptance of tender, linked up and reconciled with the inspection receipt voucher. The latter is the form completed by the receiving and inspection officers of the Department of National Defence or the new joint inspection board. This document—that is, the inspection and receipt voucher—must be available in all cases to check against the invoice. Otherwise the accounts cannot be certified and passed for payment. When this reconciliation has been made and the invoices checked to the copy of the acceptance of tender received from the Department of Munitions and Supply, the accounts are certified by the authorized officers of the Department of National Defence as required by the Consolidated Revenue and Audit Act, and they pass them to the treasury for payment.

By Mr. Green:

Q. What check is there on the actual purchase price? For example, suppose the Department of Defence wanted provisions for one particular camp. Whose duty is it to see that they get those at the right price? For example, there may be cases where the contract might be for a price higher than that at which civilians were able to buy the same goods in the same city. What method is there of checking that?—A. Under the system in force at the present time the Department of Munitions and Supply is the procurement agency for national defence and these prices are the prices that would be allowed or agreed to by the Department of Munitions and Supply when they placed the order.

Q. Has the Comptroller of the Treasury any check at all on the purchase price of these things you order; that is, to say whether that is a fair price, taking into consideration the market in that particular district?—A. No. We have nothing to say at all on that. That is clearly a departmental responsibility.

Q. What machinery have they for checking, if any?

Mr. ABBOTT: Mr. Sheils explained that, I think, Mr. Chairman.

Mr. GOLDING: That is all on the record.

Mr. GREEN: That was explained, was it?

Mr. ABBOTT: Mr. Sheils went into that very fully.

Mr. GREEN: I will read up on it then.

Mr. Pottier:

Q. You say invoices come in first through the department. How many invoices have to be sent in? That is just a matter of detail.—A. You mean the number of copies?

Q. Yes.—A. I can answer for the number that we get. We get two copies as a rule; in certain instances the cost accounting division may have to have a copy, but otherwise we receive two copies, one we keep for ourselves and the other is passed to the Auditor General.

Q. You cannot pay a bill without an invoice yourself?—A. No.

Q. From the department?—A. No. We have to have the invoice as evidence of the account.

By Mr. Green:

Q. And you also have to have the inspection slip and the receipt?—A. Under the existing procedure we, ourselves, do not receive the inspection receipt voucher. That goes, in the Department of National Defence, to the contracts branch—the old contracts branch. They reconcile the inspection receipt voucher with the invoice and certify it to that effect.

Q. Is that done by one of the officials in the department of the Comptroller?—A. No. It is done by an officer of the Department of National Defence. They do the certifying. The reconciliation and certification of the invoice with the inspection receipt voucher is carried out by an officer of the Department of National Defence.

By the Chairman:

Q. And then that certification goes where?—A. That certification goes on the account that comes to us and we accept that as a certification that the inspection and receipt voucher has been received and found in agreement with it.

Q. And then the cheque is issued?—A. I was about to describe the procedure in our office.

The audit carried out in the treasury consists of checking all additions and extensions and examining the accounts to see that they have been certified by the authorized officers of the department.

By the Chairman:

Q. Which department?—A. Of the Department of National Defence in this instance. To verify that the invoices are in agreement with the acceptance of tender, both as to price and quantity. The account will not be passed for payment if we have not this acceptance of tender. Where the acceptance of tender is for more than \$5,000 we see that an Order in Council has been obtained. Where the account is for the full amount of the order, the acceptance of tender is marked "paid" and transferred to the "paid" file. Where the account covers only part of the order, the quantities delivered and value thereof are endorsed on the acceptance of tender and the latter is retained in the current file to await further accounts.

The invoice is then entered on the financial encumbrance. That is: the contract demand, as a liquidation of the authorized commitment, entered in the accounts of the relevant vote and allotment of the appropriation and then passed to the paying section where a cheque is drawn on the Receiver General, signed by two duly authorized officers of the treasury, and mailed to the payee.

Now, I may say at this point that the handling of the present large volume of accounts made it necessary for us to establish a rule throughout the treasury service; where the accounts are in order for payment they must be paid within seventy-two hours.

[Mr. B. G. McIntyre.]

By Mr. Marshall:

Q. Does your department have anything to do with the United Kingdom accounts?—A. Yes, I refer briefly to that later on.

Q. Do you intend to deal with that later on?—A. In dealing with the Department of Munitions and Supply treasury office I intend to refer briefly to that.

Q. That will be all right.—A. The signing officers of the treasury—that is, our officers who sign the cheques—are authorized as prescribed by the Governor in Council. The paid cheques do not come back to the treasury or to the issuing office. They are sent by the banks to a separate office, the cheque adjustment branch in the Department of Finance under the deputy minister. Here the cheques come under the control of an officer of the Department of Finance and an officer of the Auditor General. The cheques are examined there as to endorsements, signatures of signing officers, reconciled with the bank statements and the statement of cheques issued that is forwarded to them by the cheque-issuing branch of treasury.

By the Chairman:

Q. Is there any particular reason why the paid cheques do not come back to the treasury?—A. This separate office had its origin in 1903 following an inquiry called the Martineau inquiry. The system up to that time provided for the issuing office receiving the paid cheques from the banks, and a considerable defalcation developed in one office, which resulted in this inquiry and the recommendations resulted in the establishment of the procedure of to-day in respect to paid cheques.

By Mr. Marshall:

Q. It is simply a question of safeguarding the treasury, is it not?—A. I feel much more comfortable to have the paid cheques go to an independent office rather than come back to the issuing office. That completes the circuit of paying an account and to complete the accounting operation from this point on it is necessary first to refer to the accounting statements for both commitments and expenditures which are prepared at the end of each month. Copies of those statements are supplied to the interested officers of the department and to the Auditor General. The Auditor General also receives copies of the paid accounts, where he makes such checks or detailed audits as he may deem necessary. We retain one copy of the paid account and this is filed in alphabetical sequence.

Another type of expenditure that may involve an operation slightly different to what has just been described is large contracts for construction, where the contract is large and will require a considerable time to complete. The terms of the contract invariably provide for making progress payments with a resident engineer on the job. These progress payments are certified by him and sent on through the usual channels to departmental headquarters where they are paid by us after certification by the responsible officer of the department and verification by treasury with the terms of the contract. In this type of payment the contract as a rule provides for paying 90 per cent of the progress estimate.

Another class of expenditure is for engineering work carried on by National Defence forces. A number of the construction projects of National Defence are carried out by the engineering services of the department on a material and day-labour basis. The materials are purchased in the usual way through the Department of Munitions and Supply and are accounted for, audited, and paid by treasury in the manner just described for stores and equipment. The National Defence engineers have authority to hire the necessary construction

forces and fix the rates of pay subject to the rates prescribed by the Department of Labour; that is the minimum rates prescribed by labour. They also pay these men from accountable advances made to the engineering officers by treasury on application of the district engineer officer. The engineers submit detailed pay lists, certified by them, as an accounting for the pay disbursements made. This procedure carried on for war expenditures is the same as that followed in peace time and the work is carried out under the direct supervision and control of the engineering services of the Department of National Defence.

By the Chairman:

Q. The engineering services of the Department of National Defence?—A. Yes, that is correct.

Q. What use is made in connection with these engineering works by the Department of National Defence of the engineers of the Department of Public Works or engineers of any other department?—A. I could not answer that question. Do you refer to the extent to which personnel, engineering personnel, of Public Works may be loaned to National Defence?

Q. Yes, or used by National Defence.—A. If the engineering service of Public Works were carrying out these works the allotment for the work would be made available to Public Works officers to carry out the work. I do not think we have any such arrangement. On the other hand there may be engineering officers of Public Works who are loaned or seconded to National Defence for this service; I have no record of that.

Q. The point I was asking you was whether full use was being made of the engineers of the Department of Public Works in the construction of these works by the Department of National Defence or did the Department of National Defence rely exclusively upon its own engineers?—A. So far as I am aware these engineering works are carried out by the engineering forces of National Defence and there are no Public Works engineers on the job.

Q. There are no Public Works engineers on these jobs?

Mr. POTTIER: I know of some that are giving their time—Public Works engineers.

The CHAIRMAN: Who may have been loaned or seconded?

Mr. POTTIER: A number of them.

The CHAIRMAN: I was wondering whether Mr. McIntyre could give us the extent to which engineers of the Department of Public Works were seconded or loaned to the Department of National Defence in connection with National Defence work.

Mr. GREEN: That would hardly come within his purview.

The WITNESS: That information would have to be obtained from Public Works or the Department of National Defence.

By Mr. Bradette:

Q. Are there cases when the department have funds of their own and pay out their own funds without the check through you?—A. The section of the Act I read a little while ago clearly stipulates that no issue of public moneys out of the consolidated revenue fund may be made except by cheque issued by the Comptroller of the Treasury.

Q. Do the district officers of defence never issue pay cheques out of their own—A. We have district treasury officers in each district.

The CHAIRMAN: It has been brought to my attention that Mr. McIntyre has a chart showing the office of the Comptroller of the Treasury and the branches accounting for war expenditures. We might perhaps file this chart as an exhibit. I think there are charts available for all the members of the committee showing the set-up of the organization.

[Mr. B. G. McIntyre.]

Mr. BRADETTE: Due to the fact that sometimes when these documents are being circulated members are absent I would suggest that future circulation of documents be made by the clerk through the mail.

The CHAIRMAN: Yes, we will do that.

The WITNESS: In answer to that question I might say that treasury makes small advances to departmental officers to provide for local disbursements where it is not convenient to have the accounts or expenditures that have to be made locally paid through the local treasury office. As an example of that you will find advances in the hands of superintendents of each of the experimental farms across Canada to meet local payments each is required to make. The amount of the accounts to be paid by them are limited to small amounts, \$5 or under.

By Mr. Marshall:

Q. Not more than \$5?—A. Not for experimental farm superintendents.

Q. You say you advance a certain amount to each?—A. We would advance an amount to the superintendent of \$500 or \$1,000. It is an accountable advance that is maintained under an impressed system; it means that he makes an accounting at regular intervals for the disbursements he makes, and on receipt and audit of these accounts the treasury reimburses him.

Mr. ABBOTT: That is an ordinary petty cash account.

The WITNESS: Yes, it is much the same.

By Mr. Green:

Q. How are payments to the forces made?—A. By cash through unit paymasters.

Q. How are sums put in the hands of the unit paymasters?—A. We issue an accountable advance to the unit paymaster to pay the forces in cash and the paymaster accounts back to us with the acquittance rolls and the detailed pay lists.

The CHAIRMAN: You will perhaps deal with that more fully later.

The WITNESS: Yes, we take it up later on.

By Mr. Pottier:

Q. I am sorry, Mr. Chairman, I just want to clear my own mind in regard to this chart; you take on this chart I have, I think that is the eastern air command. There is an undertaking under the jurisdiction of that command. Is the cheque for construction paid by the eastern air command treasury or is it paid direct from here?—A. Most of the construction accounts are paid from Ottawa, as well as the major portion of accounts for invoice—except local purchases—that is a matter I was just about to deal with.

Q. I see?—A. Local purchases—perhaps I could give it to you just as I have it here. There are purchases made through local purchasing agents of the Department of Munitions and Supply and there are also local purchases made to a limited extent by officers of the Department of National Defence through the purchasing authority that has been arranged as between themselves and the Department of Munitions and Supply. The accounts for these local purchases and also the accounts for current deliveries of such items as food and fuel contracts for on a unit price basis are rendered to the local officers of the department and are paid by the local treasury office, the district treasury officer.

Q. I see.

The CHAIRMAN: Mr. Sheils dealt with it at some length, the local purchasing agent.

The WITNESS: The district treasury officer operates on a sub-allotment of the funds that I have just described as being allotted to the department or service as a whole. Accounts paid locally are subject to the same detailed audit and examination as those paid at Ottawa. If they are found in order the district

treasury officer issues a cheque on the receiver general and pays the account, reporting the expenditure he has made to Ottawa.

Now, that completes my point in connection with the Department of National Defence as such and brings me to the Department of Munitions and Supply. We have a treasury branch in Munitions and Supply on the same basis as in all departments. There is also a treasury section in that department which is new to our general functions; that is, the treasury cost accounting division we have connected with the Department of Munitions and Supply. The Department of Munitions and Supply started as a purely procurement agency for national defence services and other governments, and during that period of operation the accounts presented no special problem for the treasury. Last May, however, the department found it necessary to embark on large scale plans to build up the production capacity of certain companies for war purposes. Now, while some capital assistance had been given through the appropriations of National Defence to assist certain industries engaged in the production of munitions of war, it was always possible to make the payments in the orthodox way of paying for the materials or equipment delivered at the plant and for the value of the construction actually carried out as certified to by progress estimates. The new requirement stressed the need for advancing funds to private firms and government owned companies to enable the companies to pay the account pertaining to the authorized expansion program from the government funds so advanced in the first instance and to account after the payment is made. These advances are made by a treasury officer for the Department of Munitions and Supply on application to the department, but are made only after the approval of the contract or the go ahead letter, as the case may be, by the Governor in Council, and then only when the Governor in Council gives specific authority to the department to finance the project in this manner; that is, by accountable advances. I might say that in general the advances are now restricted to the estimated requirements for the ensuing months, and we have placed a cost accountant on each of the large construction jobs to check the accounts and certify the monthly reports of expenditures for materials, labour, et cetera. The monthly reports are also certified by the resident engineer of the Department of Munitions and Supply on the job and they are sent on to our treasury office in the department at Ottawa supported by the detailed statement of cheques issued. These vouchers when formally approved by the responsible officers of the department at Ottawa clear the advance account. Later, as the development takes place and the plants reached the production stage authority is given by the Governor in Council to provide working capital up to a specified amount. In these circumstances the cost accountant on the construction job usually takes over the checking of production costs and the advances are accounted for by the same type of certified report of the cost accountant and the resident engineer. That is sent forward for the capital advances for construction.

The CHAIRMAN: This might be a convenient place to conclude to-day's evidence. When shall we meet to-morrow?

Mr. GREEN: Could you not meet in the afternoon? We have the pensions committee sitting at 11 o'clock in the morning.

Mr. BRADETTE: In the afternoon a number of men will be away.

The CHAIRMAN: I am sorry, Mr. Green, but to-morrow is Friday. I think perhaps to-morrow we might meet in the morning, if you don't mind. We will try to adjust ourselves as much as possible to the convenience of members. Would to-morrow at 11 o'clock suit you, Mr. McIntyre?

The WITNESS: That would suit me quite all right.

The committee adjourned at 6 o'clock p.m. to meet again to-morrow, March 28, 1941, at 11 o'clock a.m.

APPENDIX

P. C. 6695

PRIVY COUNCIL—CANADA

AT THE GOVERNMENT HOUSE AT OTTAWA

TUESDAY, THE 19TH DAY OF NOVEMBER, 1940.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL—

WHEREAS the Minister of Finance reports that it is essential that the procedures relating to commitments and expenditures on War account should provide not only for adequate financial control but also for a method of securing expeditious decisions and giving a clear picture of total authorizations and commitments relating to various fiscal years;

That Section 29 of The Consolidated Revenue and Audit Act sets out the existing procedure to be followed before financial commitments are entered into and provides that no contract, agreement or undertaking of any nature involving a charge on the Consolidated Revenue Fund shall be entered into or have any force or effect unless the Comptroller of the Treasury or an officer of the Department of Finance designated by him and approved by the Treasury Board shall have certified that there is a sufficient unencumbered balance available, out of the amount authorized by Parliament for the particular service, to pay any commitments under such contract, agreement or undertaking which would under the provisions thereof come in course of payment during the fiscal year in which such contract, agreement or undertaking is made or entered into;

That it is not possible to make precise estimates of the actual expenditures under contracts for War purposes which may fall for payment within any particular period (a) because future phases of the War and the degree of activity in certain spheres of action under present changing conditions cannot be predicted with any degree of certainty and (b) because the actual expenditures under contracts for War purposes depend upon such uncertain factors as the numbers and priorities of orders on Canadian account and/or on account of the Government of the United Kingdom in relation to the available supply of labour, plant facilities and materials;

That the appropriations asked for from Parliament would be unduly inflated and unrealistic if they were to include estimates of the total cost of projects which will only come in part for payment within the current fiscal year; and

That paragraph (e) of subsection 1 of section 5 of The War Appropriation Act, 1940, empowers the Governor in Council to make regulations prescribing administrative practices with respect to the making of financial commitments;

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, is pleased to make the following regulations regarding the making of financial commitments with respect to expenditures for war purposes, and they are hereby made and established accordingly:—

1. War programs shall, in the first instance, be submitted for the approval of the Governor in Council or the War Committee and any major changes in or additions to an approved program shall also be submitted for the approval of the Governor in Council or the War Committee.

When submitting any original program or changes in or additions to an approved program the Department concerned shall furnish in as much detail as is practicable at that time the information required under the next succeeding regulation.

2. Estimates of requirements for war expenditures under war programs which have been approved by the Governor in Council or the War Committee shall be submitted by the Department concerned to the Treasury Board in such detail as shall clearly show

- (a) the amount required for each service sub-divided according to such functions or activities as may be prescribed by the Treasury Board;
- (b) the amount required under each of the classifications established under the preceding paragraph (a) by objects of expenditure in such detail as shall clearly indicate the type of expenditure involved and the kinds and quantities of materials and equipment required;
- (c) the number of enlisted men and the amount of skilled and unskilled labour required, excluding the labour required for the manufacture of the kinds and quantities of materials and equipment involved;
- (d) whether the expenditures are of a recurring character or of a non-recurring character;
- (e) as nearly as possible the amounts of the proposed expenditures which will come for payment in the current fiscal year and in subsequent fiscal years;

3. Such estimates when approved by the Treasury Board shall constitute the authorized program of the Department concerned and the Comptroller of the Treasury, or an officer of the Department of Finance designated by him and approved by the Treasury Board, may issue financial encumbrances up to the amounts so approved.

4. In any case where,

- (i) the approval of the Governor in Council or the War Committee has been given, and
- (ii) the Minister or Deputy Minister of the Department concerned certifies that in order to carry out the program expenditures or commitments are urgently required to be made before Treasury Board approval can be obtained.

the Minister of Finance may authorize the Comptroller of the Treasury to issue financial encumbrances up to an amount fixed by the Minister of Finance. In any such case the Department concerned shall, as soon as possible, submit for the approval of the Treasury Board the estimates of such expenditures in the manner required by the preceding regulations.

5. No contract, agreement or undertaking of any nature involving a charge for war purposes upon the Consolidated Revenue Fund shall be entered into or have any force or effect unless a financial encumbrance is issued under the provisions hereof.

6. Every request for a financial encumbrance and every contract, agreement or undertaking shall clearly state the amount which it is anticipated will come for payment in the fiscal year in which the contract, agreement or undertaking is entered into and the amount, if any, which it is anticipated will come for payment in subsequent fiscal years.

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SESSION 1940-41

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

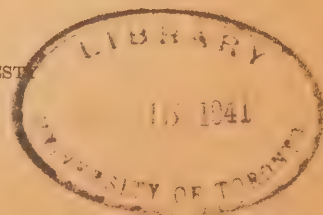
No. 8

FRIDAY, MARCH 28, 1941

WITNESSES:

Mr. B. G. McIntyre, Comptroller of the Treasury, Department of Finance.
Mr. F. E. Wood, Chief Cost Accountant, Treasury Branch, Department of
Munitions and Supply.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

FRIDAY, March 28, 1941.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Bradette, Chevrier, Diefenbaker, Gladstone, Golding, Graham, Macdonald (*Halifax*), MacInnis, Marshall, McGeer, Pottier, Thorson.

Mr. B. G. McIntyre, Comptroller of the Treasury, was recalled. He resumed his statement on the control of war expenditures and was further questioned.

Mr. McIntyre's examination was interrupted for a time, and Mr. F. E. Wood, Chief Cost Accountant in the Treasury Branch of the Munitions and Supply Department, was called and questioned.

Mr. Wood filed a chart of the cost accounting section (See Appendix to this day's evidence).

Mr. Wood also filed the following office forms to be listed as exhibits, viz:—

- (a) Form M. & S. 433, Costing Memorandum;
- (b) Field audit program issued by Chief Cost Accountant.

Mr. McIntyre was then recalled and, having concluded his statement, was thanked by the Chairman and retired.

The Committee adjourned at 12.20 p.m. until Tuesday, April 1st, at 11 o'clock a.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

MARCH 28, 1941.

The Special Committee on War Expenditures met this day at 11 o'clock a.m. The Chairman, J. T. Thorson, presided.

The CHAIRMAN: Order, please, gentlemen. I think we have a quorum. We will ask Mr. McIntyre to carry on from where he left off yesterday.

B. G. MCINTYRE, Comptroller of the Treasury, recalled.

The WITNESS: Mr. Chairman, when the committee adjourned yesterday I had finished describing how the requirements of the Department of Munitions and Supply resulted in the need for advancing public moneys to certain companies to provide for capital assistance on account of plant expansion and working capital assistance for companies in production. The companies assisted in this way divide into two main categories: private companies and government-owned companies.

The Department of Munitions and Supply obtains from Treasury Board and the Governor in Council approval of their estimated program of expenditures, and this forms the basis for the allotments on which we operate the accounts for the department. There is an allotment set up for each company receiving assistance. The Department also receives allotments from the war appropriation authorized by Treasury Board to provide for expenditures for the departmental administration expenses and also to provide advances to the companies authorized to receive financial assistance.

The treasury branch of the Department of Munitions and Supply operates accounts for both the allotments of the approved program of expenditures and the allotments from the war appropriation. This branch exercises the same type of controlling functions over commitments and expenditures as those exercised for the Department of National Defence.

While the accounts for administration expenses are subject to the same detailed audit at headquarters in Ottawa as those of other departments, the audit in connection with accounting for advances made for plant expansion or working capital assistance is made by treasury cost accountants or by officers of the Auditor General in the field.

The treasury branch of the Department of Munitions and Supply also acts on behalf of other governments, more particularly the government of the United Kingdom. Funds are paid over to the account of the Receiver General of Canada by the United Kingdom government from time to time as required and are deposited to the credit of the Consolidated Revenue Fund. The amounts are brought to account in the books of the treasury officer who pays the accounts of the United Kingdom as certified by officers of the Department of Munitions and Supply. Detailed statements of these disbursements, accompanied by supporting accounts, are forwarded to the United Kingdom and to the Auditor General who audits the accounts on behalf of that government. Reports are received from the field accountants and the resident engineers. The treasury branch has prescribed quite an elaborate set of forms on which these reports are to be made each month. This is for the purpose of giving a complete statement of the operations and standing of the accounts to date.

By Mr. Bercovitch:

Q. Do we pay the bills of the United Kingdom for which we have not funds in hand?—A. Do we pay which?

By the Chairman:

Q. Mr. Bercovitch asked if we pay bills of the United Kingdom for which we have not funds on hand.—A. The United Kingdom accounts divide into two categories. First the accounts that are wholly United Kingdom; for this class of accounts the funds to make the payments have always been available from the United Kingdom. The other class of accounts is for a joint project, partly Canadian and partly United Kingdom. In such cases it is not uncommon for us to make advances that are subsequently recovered from the United Kingdom account.

By Mr. Macdonald:

Q. Do they run into very large amounts?—A. I could not say with any certainty just what they would amount to.

Q. It is not the responsibility of yourself to try to see that funds are available at all times to cover your commitments?—A. In these joint projects where it is set out that a certain percentage is to be assumed by Canada and a certain percentage by the United Kingdom government, and we happen to finance the account in part for the United Kingdom's share for the time being, it is not a large amount. I think I am right in saying that the operation works both ways, in that the government signing the contract in the case of joint projects, the signing government finances the project in the first instance. That is solely for the purpose of convenience and to avoid the issue of two separate cheques, one United Kingdom cheque against the United Kingdom account and one against the Canadian account as the payments or advances are made. At regular intervals there is an adjustment put through between the two governments on that basis, to the exact figure. They are adjusted each month. That does not arise out of the United Kingdom not having funds with us to make the payment but rather as a matter of administrative convenience in making the payment in the first instance.

By the Chairman:

Q. The balance at the end of the month might quite well be in favour of the United Kingdom in respect to these joint accounts?—A. It always is. The United Kingdom account has always been in funds for the purpose of making disbursements.

By Mr. Macdonald:

Q. And there is no guarantee on the part of the Canadian government for any purchases on United Kingdom account?—A. Not under this heading.

Q. The government acts merely as the agent of the British government?—A. The Department of Munitions and Supply acts as the negotiating and administrative agency; and we act as the disbursing and accounting agency.

Q. And credits are provided by the government of the United Kingdom itself?—A. That is correct.

By Mr. Marshall:

Q. Mr. Chairman, I should like to have Mr. McIntyre, if he would, comment on the statement which was made by Mr. Sheils on page 5 of the evidence, at the top of the page, which reads:—

The third item is this, and I do wish that people would understand it—I do not mean the hon. members present; I mean the suppliers—that the Department of Munitions and Supply does not pay for its purchases.

[Mr. B. G. McIntyre.]

This function is carried out by treasury officers attached to the Department of National Defence for whom we buy, or by Canadian treasury officers operating under a special arrangement with the United Kingdom in respect of our purchases for the United Kingdom. We simply place the orders. We assist in following them up. We have a follow-up system to see that deliveries are made, and the invoices, when they come in, are passed over to the Department of National Defence for verification by their inspection department and recommendation for payment. By virtue of the special agreement with the United Kingdom this department has a far closer relationship with the payment of United Kingdom accounts than it has with Canadian accounts. That is due to the fact that about a year ago the United Kingdom asked the government of Canada if they would permit the Department of Munitions and Supply to take over all their accounting for purchases and to handle the approval and payment of invoices, not the actual payment but the final approval or certifying of the invoices. We do not do that for Canada.

I should like Mr. McIntyre to just explain how those accounts of the United Kingdom are handled in the Department of Munitions and Supply and what work is not carried through with respect to orders or contract demands on Canadian account?—A. The difference between the two operations may be explained in general terms in this way. In the case of United Kingdom government accounts, the Department of Munitions and Supply performs all of the departmental functions pertaining to the operations of the accounts, including their certification and passing them through to treasury for payment. In respect to accounts for purchases on behalf of the Department of National Defence, they are only acting as the purchasing agent. The Department of National Defence receives and inspects the goods. Now it is the joint inspection board. It is their responsibility to certify that the goods are according to specifications and that the quantities have been received. These functions in so far as the United Kingdom account is concerned, must be performed by the Department of Munitions and Supply.

By the Chairman:

Q. Not so far as inspection is concerned?—A. Not so far as inspection is concerned, but for the certification of accounts for payment. The Department of Munitions and Supply receive the inspection and receipt voucher from the joint inspection board for United Kingdom accounts, whereas in national defence, it is the officers of national defence who receive these inspection receipt vouchers.

By Mr. Marshall:

Q. And that work could not all be done through one department? Really the work, as it were, divides at a certain point and goes through two different departments?—A. The work lends itself to an automatic division at that point. The appropriations that are expended for purchases made on behalf of the Department of National Defence are national defence appropriations. They are granted to the Department of National Defence and they are responsible for the accounting therefor. On the other hand, for the United Kingdom accounts, an arrangement has been made between the Department of Munitions and Supply and the United Kingdom mission in Canada whereby the department carries out certain functions on behalf of the United Kingdom government. They place the orders, audit and certify the accounts for payment.

By the Chairman:

Q. And then the treasury department pays those accounts on certification from munitions and supply?—A. That is correct.

By Mr. Gladstone:

Q. An inspection certificate is not an acknowledgment of receipt of goods in all cases, I suppose; because shipments are made not to Ottawa but are made to various points?—A. Some shipments may be made to stock or stores for the time being in Canada.

The CHAIRMAN: Does that clear up your question, Mr. Marshall?

Mr. MARSHALL: Yes, Mr. Chairman.

The WITNESS: This brings me to the treasury cost accounting division that we have attached to the Department of Munitions and Supply. This branch was first organized in a small way under the jurisdiction of the War Supply Board and later by agreement with the Deputy Minister of the Department of Munitions and Supply the work was transferred to treasury in May, 1940 and one officer engaged on the work was taken over by us. The reason for the change was to avoid any duplication in cost investigation and audit work. The work, as it is now organized in this branch, divides itself into five main categories: aircraft, construction, munitions, ship-yards and textiles.

By the Chairman:

Q. You say that this arrangement was made for the purpose of avoiding duplication. What duplication had there been prior to this arrangement?—A. There had not been any duplication worth while up to that time; but it was conceivable that considerable duplication would develop unless an arrangement of this kind was worked out. A contract placed by the Department of Munitions and Supply on any basis other than a firm price leaves with the treasury and the Auditor General a responsibility to satisfy themselves that the account certified to be paid is in accordance with the terms of the contract. We cannot do that without a detailed check and that means a detailed check at the plant when it is a cost plus contract. If officers of the Department of Munitions and Supply were required to do this work we would of necessity reserve the right to make such further checks as we saw fit; we have a duty and responsibility to investigate. It is quite true we might not make a complete check of all the work they do but certainly we would have to satisfy ourselves that the work being done by these field accountants of the Department of Munitions and Supply was all that was to be desired from the treasury standpoint.

By Mr. Graham:

Q. I take it from listening to Mr. Sheils and yourself that the work required of your audit department, in the light of the new tasks, and in the way of audit costs and payments, has increased very greatly; would that be true?—A. That is correct.

Q. Could you tell me, please, is there any accounting department head auditor or audit clerk, or someone appointed by your department under your supervision who would be the directing head?—A. We have the chief cost accountant, Mr. Wood, located in the Department of Munitions and Supply building.

Q. Oh yes.—A. This is Mr. Wood sitting on my right.

Q. I want to explore the system of audit a bit. I think it is a very important point in the matter of economy. Mr. Wood, if I might ask you a question, how long have you been with the department?

Mr. FRANK E. WOOD, Chief Cost Accountant, Department of Munitions and Supply, called:

By Mr. Graham:

Q. Mr. Wood, how long have you been with the department?—A. I was engaged by the War Supply Board on March 1st, 1940; when arrangements were made by the Comptroller of the Treasury and the Auditor General to take over
[Mr. F. E. Wood.]

the work almost immediately after the Department of Munitions and Supply was formed, which if I remember correctly was early in April, 1940, I was transferred, and from then on I have been with the Comptroller of Treasury.

Q. And prior to your being with the war purchasing board—I am just exploring your past—were you with the government or were you with a firm of auditors?—A. No, sir, with the National Steel Car Corporation of Malton on aircraft costs, and for a short time prior to that I was with the Abitibi Power and Paper Company as chief cost accountant for a good many years, and prior to that I was with Massey Harris on cost and purchasing work during the last war.

Q. Yes, so that your experience has been considerable?—A. But I am not a chartered accountant.

Q. You are not?—A. You cannot be a chartered accountant unless you serve an apprenticeship with a chartered accounting firm, otherwise they will not let you write the examination.

Q. Would you tell me this: How big an increase in staff in the audit branch has the war effort imposed?—A. Well, Mr. Chairman, I can only give you information in regard to the cost section.

Q. That is right.—A. And that is entirely separate from a lot of other auditing functions that are carried out.

Q. That is all I want?—A. As Mr. McIntyre said, there was one officer transferred to his department, which happened to be myself, and since then we have increased the staff to around ninety-one of whom all but a very small number are either chartered accountants or practical, experienced, and well qualified cost accountants.

Q. Men at least of whom you approve as being quite capable of discharging the duties imposed upon them?—A. That is right.

Q. And now, where do you draw that staff from, Mr. Wood; tell us where in general do they come from?—A. They are all appointed by the Civil Service Commission.

Q. All by the Civil Service Commission?—A. And if I might amplify that, we have about six permanent civil servants who have been seconded to our division, and in addition to that the Civil Service Commission in co-operation with the Comptroller of the Treasury advertised by radio for applications from accountants, and sent representatives from coast to coast not once but several times interviewing applicants, and from these lists and from other accountants that have got in contact with the government from time to time appointments have been made. We have a chart, if the committee would be interested in it.

Q. I would be glad if you would file that with the chairman?—A. I shall be glad to.

By Mr. Marshall:

Q. Have you any extra copies of that chart?—A. Yes, I could have a complete set here at a subsequent meeting.

By Mr. Graham:

Q. Now, Mr. Wood, I think you will agree that the whole matter of cost accounting is a most difficult one. I presume you would know much more of that than most of the members of the committee; but I think that this is a true statement, is it not, it is a very difficult task?—A. Yes, I think that is correct.

Q. I wonder, how do you educate your staff in that particular branch of accountancy—the matter of going into a factory and determining costs?—A. I think Mr. McIntyre intended to cover that in his statement, sir.

Q. Later, do you mean?—A. I think he was just coming to that now.

Q. He was just coming to that, I see. And is there a special letter or instructions sent out by you to each of the members of this staff setting out the principle upon which a cost audit is to be conducted?—A. Yes, we have a cost

memorandum that was drawn up and approved by the Comptroller of the Treasury and the Auditor General and the Department of Munitions and Supply that establishes in principle the allowable elements of cost. I have a sufficient number of copies of this memorandum here if the committee wish to have it.

Mr. GRAHAM: I am sure the committee would be very glad if you would file them.

The WITNESS: I think there are a sufficient number of copies there for distribution.

By Mr. Graham:

Q. Do these instructions deal with the question of factories or firms under audit making unnecessary or even unwise purchases of equipment; you take in the last war there were many natural elements—perhaps one could say almost human elements—expedients through the use of which a company escaped responsibility with respect to taxation by making unnecessary improvements, or buying automobiles, better or more automobiles than were really required, and things of that kind; is there a careful check on that by your system of audit?—A. Yes, I think there is. However, if you wish to go into that in detail perhaps the chairman would prefer that it be left over until later, until after Mr. McIntyre has concluded.

Mr. GRAHAM: I do not know just how Mr. McIntyre wishes this examination conducted. Mr. Chairman, I rather consider that this is one of the very important phases of the inquiry. It is just a matter of your desire for the procedure to be carried out. I suggest to you that we now go into the details of how that cost audit is carried out, if that would suit your convenience?

Mr. MARSHALL: I think Mr. McIntyre should be allowed to finish.

By Mr. Marshall:

Q. Have you very much left, Mr. McIntyre?

Mr. MCINTYRE: No, I am almost finished.

The CHAIRMAN: At this stage, Mr. Wood has given us a chart of the cost accounting section of the treasury in the Department of Munitions and Supply. It is a short chart and I would suggest that it might well be printed as an appendix to the proceedings for to-day, if that is your wish.

Mr. MACINNIS: I think Mr. Wood said he could provide us with copies at a later time.

Mr. WOOD: I have one or two other copies here.

Mr. MACINNIS: If we are provided with copies it would not be necessary to print it, and I think a copy of the chart as it is there would be better than having it printed.

The CHAIRMAN: It is rather interesting. It is a short chart, and it might as well be printed as an appendix.

Mr. BERCOVITCH: I think it would be well for us to see them. You are asking our opinion as to whether or not it should be printed and we have not seen them.

The CHAIRMAN: Yes.

Mr. BERCOVITCH: Have you any more copies?

Mr. WOOD: I have sent one to each side.

The CHAIRMAN: Mr. Wood has also submitted the cost accounting instructions which might be filed as an exhibit, and I think there are copies of that available.

Mr. WOOD: I might explain, Mr. Chairman, that inadvertently I have provided a double set of the one memorandum.

[Mr. F. E. Wood.]

The CHAIRMAN: Just a minute, you have given me another set of sheets. What is the first one?

Mr. WOOD: This is the same thing, except for the heading; and these are the official forms, these should not have been submitted. This is the official form.

The CHAIRMAN: May I put it this way. Mr. Wood has filed a cost accounting memorandum form called M. & S. 433 which has been filed as an exhibit, and there are some copies available for members of the committee.

Mr. GRAHAM: I am inclined to agree with Mr. Marshall that the committee could well spend the intervening time studying the memorandum and this chart and let Mr. McIntyre proceed, and then we will have an opportunity no doubt of going into these.

The CHAIRMAN: May I ask this: Will the chart and the memorandum—there are quite a lot of questions asked by Mr. Graham—

Mr. GRAHAM: It will be the basis undoubtedly, it will help considerably; I would think it might obviate the necessity of asking questions which might be already answered by the memorandum or the chart.

By Mr. Marshall:

Q. Are there any other memoranda you have that might be of use to us before you go on with your evidence?—A. Yes, sir, there is the memorandum of instructions to our field auditors on resident jobs that might be helpful to the committee.

By Mr. Graham:

Q. We will be very glad to have that data.—A. I have not more than a couple of copies of these here with me this morning.

The CHAIRMAN: Well then, Mr. Wood also files a memorandum of instruction issued by the chief cost accountant covering the field audit program of the department.

Mr. GRAHAM: Mr. Chairman, obviously we shall not get these reports for a day or two, and we do not want to keep these gentlemen too long from their departmental duties, would it not be possible for your department to have copies made of this material and supply it to the members of the committee so that in the meantime we could be studying them and as a result have a better knowledge of what we will be examining into.

The WITNESS: That is, you mean the field instructions?

Mr. GRAHAM: Yes.

The WITNESS: Yes, sir, I will mail those to-day.

The CHAIRMAN: To each member of the committee.

The WITNESS: Yes.

The CHAIRMAN: Is it agreed that Mr. McIntyre should continue?

Some Hon. MEMBERS: Agreed.

Mr. B. G. McINTYRE, recalled.

The CHAIRMAN: Before Mr. McIntyre proceeds; is it agreed that the chart should be printed as an appendix to to-day's proceedings.

Some Hon. MEMBERS: Agreed.

The WITNESS: I will proceed with a general outline of the cost accounting division. It is the responsibility of the negotiating officer of the Department of Munitions and Supply to make the initial agreement with the contractor and in any case where it is felt that provision for an audit is necessary or

desirable, to include in the contract a suitable audit clause. The audit to be carried out in accordance with cost memorandum M. & S. 433—that is the document which was just filed—was prepared by the cost accounting division and approved by officers of the Department of Munitions and Supply. This memorandum establishes in principle the elements of cost to be used on all government contracts. The cost accounting division reports the results of all audits to the negotiating officer of the Department of Munitions and Supply and to the comptroller of the department. It is the duty of the negotiating officers working in collaboration with the comptroller's branch to consider and decide what action if any is indicated by each report. The fundamental principle involved in the division of duties between the department and the cost accounting division is that the cost accounting division deals with matters relating to the cost and the determination of the same; in other words with fact findings; and the negotiating officers of the department deal with the matter of rates of profits; in other words, with the use of the facts as obtained by the cost accounting division. The duties divide into, first there is the type of contract that requires no audit, this is a fixed price contract without qualification; then there is the fixed price contract, which is subject to adjustment for any or all of the following reasons: change in wage rates, usually this is a provision having to do with minimum wage rate requirements of the Department of Labour—change in material cost, changes in design and claims for over-payment. The next class is the target price contract. This type of contract provides for payment of the actual cost which would be determined on the basis of cost memorandum M. & S. 433 for the target quantity with a margin of profit to be adjusted up or down depending on the relation of actual costs to the target costs set. The purpose of such a target is to provide a basis for investigation to determine what is a fair figure to fix for a firm price contract on subsequent deliveries. Ceiling price contract plus percentage of profit: This type of contract sets a maximum figure and may provide for a profit of not more than a certain percentage of the actual cost provided that the price shall not exceed the ceiling price fixed; that is, if a contractor has this type of contract and the completed cost of the product equals the full amount of the ceiling price, that is all the contractor receives. He cannot draw more than the ceiling price.

(5) *Ceiling price contract, plus a fair and reasonable profit:* This type of contract is much the same as number 4, with the exception that it leaves to officers of the Department of Munitions and Supply the responsibility for determining what may be considered a fair and reasonable profit.

(6) *Construction projects on a cost plus fixed fee basis:* This type of contract requires constant supervision and check by both the supervising engineer of the department and the resident cost accountant.

(7) *Pre-financed projects:* Under this heading is included those companies receiving capital assistance for construction as well as the companies receiving advances for working capital. The same applies to this type. It invariably requires a supervising engineer of the department and a resident cost accountant on the job. That completes what I have to say on Department of Munitions and Supply.

The CHAIRMAN: Are there any questions which members of the committee would like to ask at this stage?

Mr. MARSHALL: Would those questions not be properly answered by Mr. Wood? For instance, how he determines a firm reasonable profit and similar questions might be asked. Would those questions not come more properly when we come to examine Mr. Wood?

[Mr. B. G. McIntyre.]

The CHAIRMAN: That might be.

The WITNESS: Mr. Chairman, Mr. Wood is certainly more familiar with the details than am I, and no doubt can give you a better exposition of how the accounts are audited.

Mr. GRAHAM: I suggest, Mr. Chairman, that we might still be wise to digest this material.

The CHAIRMAN: Yes. All right Mr. McIntyre, will you continue?

The WITNESS: I go back now to expenditures of the Department of National Defence in categories other than contracts for purchase of supplies, and I will deal with pay and allowances of the army, navy and air force.

The rates of pay and allowances of the forces are prescribed in F.R. & I.; that is, the Financial Regulations and Instructions of the forces. These are approved and amended from time to time by the Governor in Council on the recommendation of the department. Each branch of the service has its own F.R. & I., with some supplementary regulations for the forces overseas. That is to take care of special conditions surrounding overseas operations. Under these regulations the members of the permanent force are granted the right to elect active service rates or remain on permanent force rates. The pay of all three branches, namely army, navy and the air, is computed and paid by unit paymasters or field accounting officers. The unit paymasters are supplied with accountable cash advances, obtained from the district treasury officer in the area in which the paymaster is located. The amount advanced at any one time approximates the requirements for two weeks' pay of the unit.

The daily orders, described as part II, published each day by the unit commander, places each member of the force on or off strength, and of course on or off pay. The orders also prescribe the rank within the limits of the unit's authorized establishment, also entitlements to tradesmen's or other special rates of pay or allowances. The F.R. & I. prescribe the rates of pay and allowances and, when combined with these daily orders, make the complete authority for compilation of pay lists by unit paymasters.

By the Chairman:

Q. Are copies of these financial regulations and instructions available?
—A. Yes, Mr. Chairman. I think a set can be made available. It is quite a voluminous set of documents. We have financial regulations and instructions for the permanent force, and for the active service force; then we have financial regulations and instructions for overseas. This applies to the three services.

Q. Will you obtain for us a complete set of the financial regulations and instructions for each branch of the service? There is a separate set of financial regulations and instructions for each service, is there?—A. That is correct.

Q. Will you obtain for us a complete set of regulations and instructions for each of the services?—A. I will arrange to do that.

Mr. BRADETTE: Are they all very similar? You said they are very voluminous, Mr. McIntyre. It might be a very expensive undertaking.

By the Chairman:

Q. They are printed, are they not?—A. They are printed. They are quite similar; but you will find in the air service provision for flying pay, for example. That is something that does not obtain in the other services. The basic provisions of these financial regulations are the same for all three services, but there are considerable differences to take care of special requirements surrounding each of the forces.

The paymaster, in paying members of the forces compiles the bi-monthly pay entitlement of each member of the force on an acquittance roll from which the payment is made and each member of the force signs for the amount received.

By the Chairman:

Q. A member of the force is paid in cash, as I understand it?—A. Yes, they are paid in cash.

By Mr. Marshall:

Q. Has he a pay book of his own?—A. Not in Canada. They are not supplied with pay books until they go overseas. The reason for that is that it is not until the forces go overseas that they have this question of deferred pay; that is, holding back a certain portion of the man's pay. That is one reason for the pay books overseas, and the other reason is that without the pay books it would be very inconvenient and difficult for the members of the force to obtain the pay they needed under certain circumstances.

Q. What does he sign in this country when he receives his pay?—A. The acquittance roll.

Q. There is a particular roll?—A. The acquittance roll is simply a listing of the individuals, one after another, on a list, with their names, regimental number amount they are entitled to at each pay day; and there is provision on the roll for each member to sign when he is paid.

By the Chairman:

Q. That acquittance roll is prepared by the unit paymaster?—A. That is correct.

Q. And he prepares that on the basis of the regulations plus part II orders?—A. Yes. These acquittance rolls and the relative daily orders part II are forwarded through the district paymaster to the district treasury officer in each district from whom the accountable advance was received. These documents are followed by a completed pay list after the month end. That is, the unit paymaster compiles the detail of pay entitlement for each man on a pay list and then extracts his acquittance roll for the 15th pay and the acquittance roll for the month's end pay. I think it is correct to say that the pay list is by no means completed for the month at the time the acquittance roll for the month end is made up, but the adjustments that may arise are taken care of in the next month.

In the district treasury office we operate a pay ledger account which is entered up from the pay documents that are received and the daily orders. The pay credit is computed as prescribed by the financial regulations and instructions and pay debits entered from the acquittance rolls and the daily orders, if any. When the pay list arrives from the unit paymaster a check with the ledger account completes the audit. All errors and omissions are observed on and reported back to the unit paymaster.

Q. Where are these ledger accounts kept? Are they kept at Ottawa?—A. They are kept in each district office of the treasury. When a member of the force is transferred to another district or overseas, the ledger account is transferred by the treasury officer to the district to which the member of the force is transferred.

Q. Is there supervision from Ottawa of these ledger accounts that are kept in the districts from time to time?—A. The district treasury officers are responsible direct to the chief treasury officer of the Department of National Defence under whose supervision they come.

By Mr. Marshall:

Q. You do not employ travelling officers who go from one place to another to audit the accounts?—A. No, we do not. We do carry out occasional inspection of these offices under present conditions, for more reasons than one. One of the chief reasons has been to speed up the clearance of accounts through from departmental offices and get them in and paid. As these inspections are carried out the officers review the work of the offices very carefully. They do not attempt to make a

[Mr. B. G. McIntyre.]

detailed audit of these pay ledger accounts, because the pay ledger accounts of themselves as operated in our office are a secondary book of record and not an original book. The pay list compiled by the unit paymaster is the original and the pay ledger sheet operates as an audit of the pay list.

By the Chairman:

Q. Who carries out these inspections?—A. Members of the chief treasury officer's staff, as a rule, who are familiar with the organization and requirements of that service.

Q. That is, they are officers of your department?—A. Oh, yes. The dependants' allowances and any assignments of pay are paid from Ottawa. The rates of dependants' allowances are laid down in the financial regulations and instructions for each of the forces.

Q. The subject of dependants' allowances is covered by the regulations and instructions?—A. Yes.

Q. For each of the services?—A. Yes, they are. The procedure in operation for the dependants' allowance payments is for the unit paymaster to receive the necessary application from a member of the force. For the army, this is made on Form M.F.M. 16, application for dependant's allowance and form M.F.M. 17, for assignments of pay. The applicant for dependant's allowance is required to produce, if possible, marriage and birth certificates for examination by the paymaster who extracts the essential information from these certificates into M.F.M. 17. He then sends all documents through the district representative of the Dependant's Allowance Board to the district treasury officer where the amount of assignment is entered in the pay ledger account of the individual as a deduction from his pay account. That serves as an immediate check on the action taken by the unit paymaster when we come to checking the pay list. The forms are then forwarded by the district treasury officer to the chief treasury officer at Ottawa for the Dependant's Allowance and Assigned Pay Branch. He takes the necessary steps to put into effect immediately payment of allowances to wives and children. These applications are later reviewed by the Dependant's Allowance Board and if any change in the award is necessary, it is given effect promptly. The applications for allowance for mothers or other relatives are not put through for payment when received. They are passed to the Dependant's Allowance Board for formal award before payment is made.

By Mr. Marshall:

Q. Is there a minimum amount that a man must assign? That is, in the event that he does assign, is there a minimum amount set?—A. There is. Fifteen days' pay is required.

Q. That is the minimum amount?—A. That is the minimum. And if an allowance is granted to another dependant—

By the Chairman:

Q. You mean assignment of 15 days' pay is required before he can make application for a dependant's allowance?—A. Before application for dependants' allowance will be given any consideration.

Q. Before it will be given any consideration?—A. That is correct.

By Mr. Marshall:

Q. What does that amount to? It is \$19.50 or \$20.00 a month, is it not?—A. For the sake of ease in accounting they have fixed it at \$20.00 a month. That is the minimum. Should the applicant be also an applicant for an allowance for say a mother, he is required to make a further assignment. I cannot state the exact amount but it is small. All ranks other than officers are required to assign at least 15 days' pay. An officer is not required to assign.

By the Chairman:

Q. That assignment is necessary in order to enable an application for dependants' allowance to be given consideration?—A. Yes. If he is applying for dependants' allowance, one of the first things to be done is to make an assignment of pay; 15 days' pay.

Q. But he can make any assignment of pay otherwise that he may like to make?—A. Yes.

By Mr. MacInnis:

Q. Is there not a maximum assignment as well as a minimum?—A. There is. I cannot say the exact amount. I think 20 days' pay is the maximum. He also may make assignments to other relatives, for insurance premiums and for purchase of war savings certificates. As I stated at the outset, we have 31,000 insurance premiums in effect now and war savings certificates applications have come in at the rate of 1,000 a day since the 1st of March as a result of the recent campaign.

By Mr. Marshall:

Q. You spoke of assignment of pay for insurance. That adds to the work of the department, does it not?—A. It adds to our work, the work of the treasury. Once the assignment is filed with us, we take on the responsibility of paying it to the insurance company. It adds to the work of the unit paymaster in a sense, in as much as that is another item of assignment he must take care of on the pay list each month.

By Mr. Golding:

Q. Is there any regulation as to whom he may assign that pay?—A. Yes. The financial regulations, as amended, prescribe certain limitations. The assignment must be to a relative.

By the Chairman:

Q. The government does not recognize an assignment to any person other than a relative now?—A. That is correct.

Mr. BERCOVITCH: Or a wife. A wife is not a relative.

The CHAIRMAN: All right. I thought she was a man's closest relative.

By Mr. Marshall:

Q. What about a man's assigning part of his pay for the payment of a debt? Why should you discriminate between an insurance company and some other debtors, for instance?—A. We do not want to place ourselves in the position of being a collecting agency for any one and every one. That is the answer.

The CHAIRMAN: You are being very technical, Mr. Marshall.

By Mr. MacInnis:

Q. Do you differentiate between insurance policies taken out since the soldier joined the armed forces and policies he had before?—A. No. I think that privilege was accorded to those who had policies in effect as well as to those who took out policies since the war or since they enlisted.

We were required to open an overseas office shortly after the war broke out. The accounts are operated overseas on a basis similar to those in Canada, with one or two exceptions.

By the Chairman:

Q. Before you deal with overseas accounting, I should like to ask you this question. Are there separate regulations published with regard to dependant's allowances and assignments of pay?—A. You mean for overseas?

[Mr. B. G. McIntyre.]

Q. No—A. No. The financial regulations and instructions are all printed in one bound volume for each service. One difference overseas is that one half the pay of a soldier overseas is held back as deferred pay, less, of course, any assignment, to dependants or for other authorized purposes. This means that many of the pay accounts show a credit balance of deferred pay, on which interest is calculated at 3 per cent. There are no pay lists overseas. Each man has a pay book in which pay credits and payments are entered by the paymaster.

By the Chairman:

Q. In the field?—A. In the field.

Q. Or in the overseas unit?—A. Yes. Another difference in the accounting overseas is the extent to which equipment, supplies and services are provided by United Kingdom departments. While certain of these are computed on an actual basis, other costs, due to difficulty of segregating the charges and making an exact determination, must of necessity be settled on an agreed per capita basis. This is a situation that will develop as time goes on, and it is in line with what we had to deal with in the last war.

By Mr. Bradette:

Q. Is there any equipment furnished by the Canadian department to the British army in active service in Great Britain? Have you a contra account there in England for that? You mentioned material supplied to our Canadian forces?—A. You refer to an account overseas?

Q. Yes. You just mentioned that you have an account there, having regard to paying for some materials supplied to the Canadian army by the British government. Have we a contra account of the same nature from the Canadian government to the British government for materials supplied to the British army?—A. In Canada?

Q. No. In Great Britain?—A. All materials supplied from Canada, on behalf of Great Britain, are purchased through the medium of the Department of Munitions and Supply here and are settled for in the way I described when dealing with that office.

By Mr. Abbott:

Q. Has that per capita basis been settled for those services?—A. The per capita question arises under several different headings and none of the rates have been finally agreed on as yet. The per capita basis for settlement is arrived at by negotiation between the two governments, based, of course, on the best figures of actual cost that can be developed.

Q. And that has not, as yet, been agreed upon?—A. It has not.

Q. So that we do not actually know yet what our liability will be on that particular head?—A. No. But we have a very close approximation as we go along. Pending the rendering of the actual account or the fixing of the per capita rates, our practice up to the present has been to make advance payments or payments on account to the British government as they render their claims on that basis.

Q. And these would be taken out of the war appropriation? Is that right?—A. They are paid from the war appropriation.

Another class of expenditure is administration and general expenses. The main item under this is salaries. The employment of civilian staffs is controlled as to recruitment, rates of pay and appointment by the Civil Service Act, treasury board regulations and orders in council. Order in council P.C. 1/1569 of April 19, 1940, passed under the War Measures Act, laid down regulations for recruitment, appointment and rates of pay of all additions to civil establishment, including war staffs. The procedure is for the department to prepare a recommendation to Treasury Board for approval of the number of positions

required in each grade. This is signed by the minister and forwarded to the Civil Service Commission for investigation. When the requisition is approved by the commission, it is forwarded to the Treasury Board for approval of the additional positions required, and when approved the Civil Service Commission makes assignments. Our duty is to see that the rates are authorized, and that the authorized establishment is not exceeded. Travelling expenses of all civil servants are governed and controlled by the travelling expense regulations as laid down by order in council P.C. 31415 of June 11, 1935-6, and such supplementary regulations as may be established by the department for their own staffs. The accounts are subject to detailed audit by treasury to see that expenses claimed are in accordance with the prescribed regulations and otherwise appear to be fair and reasonable. The account is certified by the claimant and approved by the authorized officer of the department.

That finishes my presentation, gentlemen.

The CHAIRMAN: Are there any questions at the moment?

By Mr. Pothier:

Q. You referred to expenses in England; what about expenses at other places not Canadian or English—say in Egypt, or Gibraltar, or in places like that—is that included in the English account?—A. Any Canadian forces that might be sent to places like Gibraltar or Egypt would go on an active war basis as part of the British forces.

By Mr. Bradette:

Q. Does that not apply to Iceland?—A. No, not to Iceland, they have their unit paymaster and a field cashier to take care of the financial regulations in Iceland.

By the Chairman:

Q. And the same in Bermuda, I suppose?—A. Yes, the same in Bermuda, and in Newfoundland.

The CHAIRMAN: Well, Mr. McIntyre, we are greatly indebted to you for the way in which you have described the manner in which your department functions. We may ask you to come back again on other aspects of the reference to us. Thank you very much, Mr. McIntyre.

Discussion followed as to the date of the next meeting, and at its conclusion:

The CHAIRMAN: It would appear to be the majority view of the committee that we should adjourn until Tuesday morning at 11 o'clock.

The committee adjourned at 12.23 o'clock p.m. to meet again Tuesday, April 1st, 1941, at 11 o'clock a.m.

DEPT OF MUNITIONS & SUPPLY
W F Williams, Liaison Officer

COMPTROLLER OF THE TREASURY
B. G. McIntyre

CHIEF COST ACCOUNTANT
Frank E. Wood

ASST. CHIEF COST ACCOUNTANT
F. W. Donkin

ASST TO CHIEF COST ACCOUNTANT
T. St. de Wolf

AUDITOR GENERAL'S DEPT
J. Hopkinson, Chief Supervisor

FIELD OFFICE SUPERVISORS

OTTAWA
GENERAL STAFF
Contracts
Personnel
Filing Clerks
Stenographers

AIRCRAFT
J. D. Dawson

ASSISTANTS AND
FIELD STAFF

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A. Brown
G. Cheney
E. Elliot
S. Graham
M. McLean

CONSTRUCTION
F. T. Shearns

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FIELD STAFF**

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W. Chandler
M. Cooney
E. Curran
R. Dean
J. Dierssen
J. Fancy
P. Flanagan
G. Ince
O. Jeffreys
Q. McFeeters
N. Paddon
J. Sayles
B. Sleeman
H. Staines
J. Waterhouse
E. L. Wilson

MUNITIONS
T. St de Wolf

**ASSISTANTS AND
FIELD STAFF**

A Babcock
L Bush
H Clayton
R Edgerton
Q Fletcher
J Gingras
A Mouncey
C Nickel
G Pelton
J Purse
H Richards
J R Roberts
K Thorne

SHIPYARDS
F. Richardson

**ASSISTANTS AND
FIELD STAFF**

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C. A. C. Brown
E. Cohn
F. Engeland
A. Fraser
R. McCall
T. O'Neill
C. V. Waldorf

TEXTILES
S.H. Pettit

ASSISTANTS AND
FIELD STAFF
J. Gardiner
W. McCreight
H. M Ross

MONTREAL
W.H. Caulfield

L. Bush
G. Pelton
J. Rougvie
Stenographer

MONTREAL
PREFINANCED PROJECTS
I F Salter

All Resident
Stock Accounts

TORONTO
R. A. Kerr

A Babcock
H Clayton
O Fletcher
K Thorne

TORONTO
PREFINANCED PROJECTS
ED. CLARK

All Resident
Cost Accountants

WINNIPEG
D Sprague

D Blanchard
W Perry
S Milne
Stenographer

VANCOUVER
FG Coburn

E Elliot S Espery
F Ibbs C Redpath
F Stapleton
D Stephenson
W Wylie

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1940/4

SESSION 1940-41
(HOUSE OF COMMONS)

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

TUESDAY, APRIL 1, 1941

WITNESS:

Major-General R. F. Lock, C.B., Chairman and Inspector-General, Inspection
Board of the United Kingdom and Canada.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

TUESDAY, April 1, 1941.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Mr. Thorson, presiding.

Members Present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Macdonald (*Halifax*), MacInnis, Marshall, McGeer, Picard, Pottier, Sissons, Thorson.

Major-General R. F. Lock, C.B., Chairman and Inspector-General of the Inspection Board of the United Kingdom and Canada, was in attendance, and made a general statement on the organization and functions of the Board.

The following exhibits were filed by Major-General Lock, viz:—

- (a) Chart of the Inspection Board of the United Kingdom and Canada;
- (b) Advice and Inspection Note (in set of seven) used by the British Supply Board in Canada and the United States.

Witness also filed Order in Council P.C. 5995, dated October 26, 1940. (*See Appendix to this day's evidence*).

Major-General Lock having concluded his statement, the Chairman extended to him the thanks of the Committee for his attendance.

The Committee adjourned at 12.55 p.m. until Thursday, April 3, at 11 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 368,

April 1, 1941

The Special Committee on War Expenditures met this day at 11 o'clock a.m. The Chairman, Mr. J. F. Thorson, presided.

The CHAIRMAN: Gentlemen, we will come to order. We have with us this morning Major-General R. F. Lock, C.B., an officer of the British army with a background of service as an artillery officer. He went on the retired list in January, 1938, but was recalled to service in August of 1939, and left Great Britain for Canada just a few days before the outbreak of the war. He came to Canada first as a member of the British mission which subsequently became the British Supply Board, and Major-General Lock was appointed Inspector-General. The British Supply Board was abolished in August of 1940, and Major-General Lock then became head of the Inspection department under the British High Commissioner. He is now Chairman and Inspector-General of the Inspection Board of the United Kingdom and Canada. I have great pleasure, Major-General Lock, in asking you to speak to our committee.

Major-General R. F. Lock, C.B., Chairman and Inspector-General of the Inspection Board of the United Kingdom and Canada, called:

The WITNESS: Thank you.

Mr. Thorson; and gentlemen: I want to tell you about inspection this morning, and if it is agreeable to you, I would like to give my evidence in the following manner: I would like to outline first the object of inspection, what the inspection has to do, and so on to the early history of inspection generally just to show you why inspection is necessary; then, from that, touch on the inspection on this continent since the outbreak of war; then take the present organization, and after that the contacts that we have with the various departments of the government and contractors from time to time that the order is thought of until delivery has taken place; and then in a very general way describe our functions in inspecting the article. I can only, of course, do it very generally, but if that would suit you, gentlemen; it will probably save a lot of questions; and if at the end there are a lot of detailed questions which you wish me to answer I am afraid I shall probably find it impossible to answer them all because our ramifications are so many that no one man could possibly know the answer to all the questions that arise in the organization. Will that suit you, sir?

The CHAIRMAN: Yes, certainly.

The WITNESS: Now, the object of inspection is to ensure that all stores that are purchased are fit for the use of His Majesty's service. That covers quite a large amount fit for His Majesty's service. That ensures that the quality is correct. It ensures that they are the correct pattern, to the correct size, and in stores which consist of a large number of parts it means that, taking any sort of a machine like a gun and so on, the various parts are severally interchangeable. That is a point which we have to watch very carefully indeed. We have to ensure, for instance, that if a shell made in Australia has to join up with a fuse made in Canada and be fired from a gun made in the Old Country that the whole lot would fit together.

Now, I said we were interested in quality. We are not concerned in the price of stores. We are given copies of the contracts and to our junior members the price of the contract is not mentioned; they are not concerned in the value of the stores. This may seem strange, but if you have an idea of the value of something which you feel is not good enough it may perhaps rather cloud your judgment, so that we in inspection are not really interested in the price as inspectors, we are all interested in it as taxpayers; and so we do not as a rule get concerned in the cost of any particular article. I remember shortly after the last war I was inspecting guns and we were getting rather an accumulation of unsatisfactory weapons which I had to reject. Well, I thought over it afterwards, and the value of the stores that I rejected one afternoon was probably more than I had ever earned in the whole of my life; but that is by the way, we are only interested in the price as taxpayers, as a department we are not concerned with prices. Mr. Sheils has explained to you how these prices are checked.

I would like to touch now on the early history of the reasons, the necessity, for inspection. One of the finest examples goes back to the time of Napoleon when he invaded Malta. The knights of Malta used to provide a certain amount of armament, and there was no standardization so every gun was of a slightly different size from every other gun and so shot which might fit one would not fit another; they all had to be made for one particular gun, there was no interchangeability. Napoleon sent agents to Malta to mix up all the measuring instruments with the result that when they tried to measure a shot to see that it would go into a particular gun they could not do it and their artillery was out of action. That is an historical fact, and I think it is evidence of the simple necessity for interchangeability. The next historical thing I would like to mention was at the time of the Crimean war. Everybody knows of the scandals in those days in the supply of stores. The troops were badly fed and clothed; a supply ship came out, but instead of bringing boots for men there were many cases of women's boots, and only the left boot at that. Well, of course, that sort of thing was scandalous. At the time of the Egyptian campaign in '84 there was considerable trouble too. There were guns which were not properly named, and one battery went up one branch of the Nile and another went up the other and owing to a lack of proper nomenclature the ammunition got mixed up. At the same time, not only in the British army but in other countries, it was found that there was a good deal of trouble with armaments. A parliamentary committee was set up in England called the Morley committee which established armament inspection. I am only touching on a few of these points. I cannot give you all the history of the inspection services because I could not get at the available literature; but in 1887 armament inspection was set up and the department is charged with the duty of seeing that stores are fit for His Majesty's services. It is also charged with the custody of all drawings and specifications from which all armaments are made. It is also charged with giving the right names to the various parts. One has to have a very complex system of names so that any parts can be identified by people who are not necessarily technical. In the United Kingdom there are many inspection departments now: There are departments under chief inspector of armaments, chief inspector of small arms; chief chemical inspector, who deals with the chemical aspect of explosives and propellants, paints and all sorts of materials; chief inspector of mechanization, which has been set up since the introduction of so much mechanical transport; chief inspector for engineering and signals stores, and chief inspector for clothing and general stores. That is as far as the War Department is concerned, or was concerned, before the setting up of the Ministry of Supply in England. There are corresponding inspection organizations for the Royal Navy and the Royal Air Force. They work in very close concert, and very often one will do work for the other. A lot of air force armament work was done by the army inspection department. So, you see, there are a great many inspection depart-

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ments covering particular subjects, and there are other departments which deal with research and experiment, and with various firing trials; because, with armaments we have to do a lot of firing to make sure that the article is correct. At the present time many of these different departments are represented in the organization of which I am the chairman.

Now, as your chairman said, I came out to Canada in the very early days of the present war. There had been a deputation from the Canadian Manufacturers' Association in England in July and August of 1939 and it was decided on a Tuesday before the outbreak of the war that a party should be sent out to place orders in Canada. I was told on the Tuesday and I sailed on the following Saturday, September 2nd, 1939, and in the intervening days I collected as many of the drawings as I could to cover the orders that we were to place in Canada. On arrival in Canada the situation was that we made contact with the defence purchasing commission that was replaced afterwards by the Canadian War Supply Board and eventually by the Department of Munitions and Supply. We got help from the National Defence department, the National Research Council, and other organizations and firms. There were certain contracts running on this continent before the war with which the United Kingdom was interested. Some of these were being inspected by men sent out from England and some were being inspected by the Department of National Defence. The Department of National Defence had a small but very efficient inspection branch headed by Colonel Howard under the Master-General of the Ordnance, and in the very early days I had a meeting with General Elkins, who was then the Master-General of the Ordnance; we had a very friendly and satisfactory arrangement by which we helped each other. If I had inspectors at any place where Colonel Howard had some stores on order I would inspect on his behalf, and he similarly inspected on my behalf, and we did a great deal that way to save overlapping. It is an almost invariable rule in inspection never to have two gangs of inspectors in the same works. There is the tendency, it has happened in England, if the navy and the army were both ordering goods from the same contractor that whichever inspector was the kinder would get the articles that the other fellow would not take; and that does not do, so to ensure uniformity of treatment we always arrange that there shall only be inspectors from one service in any works. But we had this very happy relationship between us and we were able to help each other out quite a lot. I might have a drawing that he wanted and very often he would have a drawing that I wanted.

Your chairman has told you of the various vicissitudes of the early organization so I would like to pass on now to August of 1940 when Mr. Chester, who had succeeded General Elkins as the M.G.O., asked me one day how I would view an amalgamation of the two services; he felt that it would save a certain amount of duplication of effort and also that with the growing orders Canada would be placing he could not see where he could find the experienced staff to deal with the larger demand. He knew that I had a good many experienced people promised from England, and felt it was very much better to have the combined organization. I made one reservation in consenting to it, and that was that I must maintain my independence; because it is very necessary for inspectors to be entirely independent. That was very fully realized both by the Hon. Mr. Howe and the Hon. Arthur Purvis when the British Supply Board ceased, they both wished that inspection should be entirely independent. We are the agent for the purchaser or the user, to see that he is getting what he is paying for, and if inspection is under the people who are interested in procurement there is the danger that inspection may have to give way; so we have always felt we must be independent. Of course, we would never run that to excess. I mean, we are just as anxious to get production as anybody else; it is the easiest thing in the world to reject a store and say it is not good enough, but that does not help the war in any way; our usual procedure is that if

something is all right but not quite perfect we would go to the user, in the case of Canada to the Department of National Defence, and say we have got these stores, they are not perfect but they are serviceable. We think that unless you have ample supplies you may wish to take them, if you have ample supplies, of course, we will reject them and you can get better ones, but we would suggest that you accept these stores at a reduction in price. On the other hand, if my officers feel that something is unsafe or wrong we have no hesitation in rejecting it; and on any important rejection it would probably come right up to me and if I think it is to be rejected nobody can make me change my mind. Mr. Chester and I had our preliminary conversations and then it was discussed with the Minister of National Defence and the Minister of Finance, and with the High Commissioner and eventually an Order in Council was published which I would like to hand over. Briefly, that Order in Council gives the Minister of National Defence authority to make an agreement with the United Kingdom High Commissioner for the setting up of an inspection board to combine the services of inspection of such stores as their respective governments might order. It is in the hands of the United Kingdom government and the Canadian government to say what stores they wish the inspection board to inspect. An agreement was finally drawn up which covers the general procedure for the inspection board; and that agreement I also produce for you, Mr. Chairman.

The CHAIRMAN: We shall file the Order in Council P.C. 5995, October 26, 1940, and the agreement dated November 6, 1940, as exhibits.

Mr. FOURNIER: Would it be possible for us to receive copies of those documents?

The CHAIRMAN: I think that could be arranged.

Mr. FOURNIER: They probably should be printed in our proceedings.

The CHAIRMAN: We could do that, if it is the wish of the committee; we could have both of these documents entered as appendices.

Mr. POTTIER: Are they long?

The CHAIRMAN: The Order in Council is very short. The agreement is not a long one. Perhaps we can print both of them as appendices.

Mr. CLEAVER: I think it would be well to do that, Mr. Chairman.

The CHAIRMAN: Both of them will be printed as appendices.

The WITNESS: That agreement is my legal statute for carrying on inspections. It gives me authority to consult any of the departments of either government. It enables me to get the staff that I want, the appliances that I want, and to do all that is necessary in connection with the business of inspection. There is a further set of regulations which we find is legally necessary because under the agreement it says that the board will issue regulations, and that the regulations of the board will be approved by the Minister of National Defence and the High Commissioner. At one of our earliest meetings I realized that if every regulation I made had to go to busy men like the Minister of National Defence and the High Commissioner they would wish they had never seen me, so I suggested some of the regulations were more or less of a routine nature and possibly it would not be necessary for Colonel Ralston and the High Commissioner to review them. Colonel Ralston went to England about that time. Under the terms of the agreement between the two governments it was apparent that there must be a set of regulations so I have drafted them and they are now with Colonel Ralston for consideration. They are really quite broad regulations, to give me power to do the things that I am doing. It is more I think in the legal sense that these regulations are necessary, but these are still under consideration by the Minister of National Defence and the High Commissioner.

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Mr. GRAHAM: I was just wondering if it would assist us to follow Major-General Lock if the agreement were read? We won't get it for a couple of days.

The CHAIRMAN: I will read the agreement, I think I can read it fairly rapidly.

INTER-GOVERNMENT INSPECTION BOARD

Whereas it is desirable to co-ordinate the activities of the Inspection Services of His Majesty's Government in the United Kingdom and of the Government of Canada with respect to the production, manufacture or assembly of munitions of war and supplies in the Dominion of Canada and the United States of America, it is now agreed that:—

1. There shall be established an Inter-Government Inspection Board (hereinafter called the board) which shall be constituted as follows:—

- (a) two members appointed by the United Kingdom Government;
- (b) two members appointed by the Canadian Government.

The Chairman of the Board shall be appointed from among the above members after consultation between the two Governments:

2. The duties of the Board shall be to inspect and certify such classes of Munitions and Supplies as shall be directed by either or both Governments, and to act as the agent of the contracting Governments in the performance of such duties;

3. the Board shall have power to enter into an agreement or agreements with either or both of the said Governments for the purpose of further defining and carrying out its duties, and shall also have power to make such regulations as may be required for the carrying out of its duties subject to the approval of the United Kingdom High Commissioner in Canada and the Minister of National Defence;

4. the Board shall carry out all inspections promptly and efficiently and, with regard to such inspections, shall provide such reports and information and do such things for the respective Governments as may be required by the said Governments. The Board will undertake any special work that either Government requests it to perform on an actual cost basis;

5. the Board shall have access to such records of the various Departments of the two Governments as are necessary for the carrying out of its duties, and the Board and the officers thereof may communicate direct with the officers of any department of government and act on advice so received to the extent that such officer is authorized to make decisions for the Department in which he serves;

6. the facilities of the Department of Munitions and Supply shall be available to the Board. All orders placed by the said department for equipment and articles for the inspection services of Canada but which are not filled at the time of transfer of inspection work for which such equipment or articles were ordered will be transferred to the Board at cost if the Board requests the transfer;

7. the emoluments of the members of the Board who are appointed by the respective Governments shall be a charge upon their Governments; travelling allowances and expenses of members of the Board shall be considered as an expenditure of the Board;

8. the respective Governments shall:—

- (a) through their several departments assist the Board in its work, free of charge, and if any charge is to be made it will be limited to out-of-pocket expenses;
- (b) without charge place at the disposal of the Board all buildings and lands in Canada now owned and used by them for the

purpose of carrying out inspection of munitions of war and supplies. In the event of the Board requiring to purchase any land and/or buildings or works for inspection services, the respective Governments will decide, by special agreement, the manner in which the acquisition shall be made and the method whereby the costs arising therefrom shall be shared, giving due consideration to the value of property placed at the disposal of the Board by the respective Governments under the first sentence of this sub-paragraph. The benefit of leasehold property now held by the Government of Canada for inspection purposes shall be placed at the disposal of the Board which will assume the payment of rentals therefor;

- (c) place at the disposal of the Board all inspection tools, gauges, apparatus, drawings and specifications, and other equipment now owned by them in Canada and the United States. The method of accounting for such articles as are referred to in this sub-paragraph shall be by agreement between the two Governments;
- (d) without charge make available to the Board, to the extent practicable, such armaments, arms and ammunition as may be required by the Board for its purposes;
- (e) transfer temporarily to the service of the Board the following employees:

All officers, clerks and employees of the United Kingdom Government known as United Kingdom Based Staff and now part of the staff of the Inspector General of the United Kingdom Technical Mission; together with such officers, clerks and employees holding appointments of indeterminate duration under the Canadian Government as the Department of National Defence may select and the Board accept. The Board shall not increase the status or rates of pay of any such employees without the approval of the respective Governments; nor shall it grant any increase in the remuneration payable to any such officer, clerk or employee without such consent. Upon the Board ceasing to require the services of any such officer, clerk or employee, the respective Governments shall reassume responsibility for such person or persons;

- (f) order all commissioned officers and other ranks who may be seconded to the Board from the Service Forces to carry out the instructions of the Board, and shall pay in the first instance the pay and allowances of such officers and other ranks; the Board will refund to the Government of Canada the pay and allowances of the officers and other ranks and treat the cost of such pay and allowances as payable costs between the two Governments;
- (g) release to the service of the Board, all officers, clerks and employees holding temporary appointments whose work is assumed by the Board. The Board will make no appointment for a period in excess of six months and will submit to the respective Governments half-yearly a list of grades, showing numbers employed and rates of pay, together with a list of individual employees earning \$200 per month or more;
- (h) the Government of Canada will make applicable the provisions of the Government Employees Compensation Act to such officers, clerks and employees of the Board who are transferred or released to the service of the Board.

9. the Board will keep in proper repair all gauges, tools and apparatus made available to the Board by the Governments and will acquire such other gauges, tools and apparatus as may be required for the works of the Board in excess of what is provided by the two Governments;

10. the Board will maintain all testing grounds, plant and equipment made available to it by the two Governments;

11. the Board will set up, in consultation with the Chairman of the Civil Service Commission, such staff classifications, to a maximum of \$350 per month, as will provide fair and reasonable compensation for the services performed by the officers, clerks and employees of the Board in Canada and will pay no person so employed at a rate greater than provided by such classification;

12. the Board will make no appointment at a salary rate in excess of \$350 per month, save with the approval of the United Kingdom High Commissioner or the Minister of National Defence, as the case may require;

13. the Board shall be responsible for administration to the two Governments but as regards finance:

- (a) the current expenditure of the Board shall be met in the first instance from funds provided by His Majesty's Government in the United Kingdom through the Finance Section of the United Kingdom Technical Mission. Before incurring expenditure, the Board will obtain sanction therefor from the Finance Section of the United Kingdom Technical Mission. At the end of each month the Canadian Government shall make a contribution to the funds of the Board on the basis of a percentage of the total expenditure of the Board during that month. Such amounts will be credited to the account of the Canadian Government. The percentage of expenditure to be so contributed shall be determined by subsequent agreement in the light of experience;
- (b) the share of the cost of inspection of each type of store to be borne by the respective Governments shall be assessed on the basis of the numbers of stores of such type inspected for each Government at each individual plant;
- (c) the Accountant of the United Kingdom Technical Mission shall account quarterly for the expenditure of the Board for settlement between the two Governments shall be made on this basis as soon as the accounts are audited;
- (d) the accounts shall be subject to audit on behalf of the Ministry of Supply of the United Kingdom and the Canadian Department of National Defence;
- (e) the accounts shall be open to the inspection of the representatives of the United Kingdom Comptroller and Auditor General and of the Auditor General for Canada, and all documents pertaining thereto shall remain available for such inspection for a period of five years after the expiration of the present agreement;

14. there shall be no personal liability incurred by the members of the Board for anything done by them or any of them in pursuance of the duties, rights and privileges conferred on them by the terms of this agreement;

15. this agreement may be terminated at any time on three months' notice being given by either party;

16. the arrangements to be made for the disposal of the property of the Board when this agreement is terminated shall be the subject of negotiations between the two Governments, and shall be without prejudice to the completion of the inspection of contracts then outstanding.

In witness whereof this Memorandum of Agreement is signed on behalf of His Majesty's Government in the United Kingdom by the High Commissioner to Canada and on behalf of the Government of Canada by the Minister of National Defence, on the sixth day of November, A.D. 1940.

(Sgd.) GERALD CAMPBELL,
High Commissioner for the United Kingdom in Canada.

(Sgd.) J. L. RALSTON,
Minister of National Defence for Canada.

I have read this into the record. If it is to be printed as an appendix it need not be written into the record; if it is written into the record it need not be printed as an appendix. Perhaps the reading of it into the record at this stage would be better, in the light of Mr. Graham's question, than having it printed as an appendix.

The WITNESS: Now, sir, if it is convenient to you I should like to pass on to the organization of the inspection board. I have charts in sufficient quantity, I think, to go to everybody, and it might be probably helpful if I pass them around now.

The CHAIRMAN: Yes. We will file one as an exhibit and distribute the others.

The WITNESS: Now, gentlemen, if I might generally run through this chart that you have in front of you, it might perhaps help you. At the top is placed the personnel of the board. Mr. Victor Sifton and Colonel Howard are the Canadian members. Colonel Howard was the Chief Inspector of Armaments in the Department of National Defence; Mr. Sifton is the acting Master General of the Ordnance. Colonel MacKenzie is my deputy in the United States. We have made application to the Minister of National Defence to increase the membership of the board to six. I have had sent to me an officer with great experience in small arms and small arms ammunition. This is a very important part of the board's work, and I wanted to bring him onto the board and I suggested to the Minister of National Defence that that be done, and he has agreed that the Canadian member should come from the Royal Canadian Air Force, because small arms and small arms ammunition are so largely used by the air force that we felt it would strengthen the board and bind all parts together if we could have a representative from the Royal Canadian Air Force. Colonel Ralston informed me that he had seen the Hon. Mr. Power and he felt sure that the nomination would be forthcoming.

Coming now to the table, if we start from the left-hand we will see that we have a director of small arms and small arms ammunition. We have on Royal Air Force account and on United Kingdom account a very considerable quantity of work on these things, and Colonel Ransford was sent out to me not only for inspection but also to do other work in connection with research, design and experiment. The authorities in England felt it would be better to attach him to me rather than to put him into any other organization, because of the various technical groups on this continent; mine is the only one that operates equally in the United States and in Canada. You will notice that he has on his staff not only army officers, but also officers from the Royal Air Force. We have a very close tie-in with the British Air Commission which is located in Washington, and for that reason I have put Colonel Ransford at Washington. You can realize that now with the large aircraft production and the armaments that go therewith there is a very close contact with United States government authorities. Colonel Ransford is able to give advice on

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technical matters which he can do most conveniently by being in Washington. He detaches some of his staff to me for inspection both in the United States and in Canada.

I shall leave the American organization for a moment and pass along this top line. There you will see I have various directors. The director of inspection 1 is a gentleman who has been connected with inspection work in England for over a quarter of a century. He has a very great knowledge of all inspection methods. He is a first-class engineer and knows the subject intimately. That is Mr. J. B. Gordon. His group possibly looks small. It consists of gauges and technical. But technical covers drawings. It has recently been decided by everybody concerned on this continent that it is far better that all drawings and specifications, which I have to hold anyhow, and other things such as process manuals and various technical documents, should all come to me, because by having one receiving centre it stops misunderstanding as to where they should go.

Drawings may not sound very much, but in my drawing office now I have very nearly a million drawings and ten thousand specifications. They have all to be listed and catalogued, and there are frequent alterations and amendments coming out. So that the drawing office work is really a very large business in itself. Gauge supply is another very big question. The inspector must have gauges to be able to inspect adequately, and to get all this gauge making is a very difficult job. To get the gauges in time and in sufficient quantity is always and always has been a difficulty. Mr. Gordon started on that the very day we arrived in Canada and we are getting gauges all the time. Once I met an inspector who really said he had enough gauges, but it is always difficult to get supplies in sufficient time, because gauge work is very accurate and the number of people you can find to do it is limited. There is generally a scarcity of gauges. We have managed pretty well to keep up, but never enough to satisfy all inspectors.

We now come to Colonel Howard. Colonel Howard takes all the ammunition group. He has under him three lieutenant-colonels from England; and they have various subgroups. Colonel Anthony looks after shells and fuses and Colonel Dobbs looks after propellants, cartridges and explosives. Colonel Henderson looks after small arms and small arms ammunition. These assistant directors employ their time on the more difficult technical questions and they go around to the plants to see everything and try and settle any difficulties and to hear any troubles that there may be. Below that are inspectors, inspectors of shells, inspectors of fuzes, and so on. They are in Ottawa and they travel around their groups and they look after the administration of their divisions. They are responsible, when a contract comes in, for deciding what gauges will be needed. They lay down what inspection is required, with the advice of their assistant director, and they make a note that they will be wanting some more staff for the new contract. They make out their gauge requirements and that goes to the gauge section to check up to see what they can provide from stocks we hold. Then the gauges are ordered through the Department of Munitions and Supply, just like any other stores are ordered. We have these gauges brought in and inspected for us either by the National Research Council or the Ontario Research Foundations. They had a set-up when we arrived out here and we felt it was much better to join some organization which would help us rather than set up everything new for ourselves.

By Mr. Black:

Q. In this connection would you explain the difficulty or differences between the standard in the gauges on this continent and in Great Britain? Perhaps you would be doing that later?—A. Yes, I would do that later if I might.

Colonel Ivory, who came from England, has guns, carriages, machine tools, fire control instruments and materials under him. The materials is a section

that we have introduced here which we do not have in England. We did it because of the enormous distances in this country. Every bit of material that is used has to be examined. In some places one contractor is producing material for the shell division, the cartridge division, the fuse division and possibly other divisions. It would be obviously uneconomical to have men from each of those divisions at the works; and so we have a materials section, which are the servants, and which check the materials for the division which will ultimately accept the finished article.

A contractor for any particular article has to go around to the various suppliers to get the material he wants, and there is a large amount of export material being ordered, more especially in the United States. The officer in charge of the materials section, who is a metallurgist, told me the other day that he had between thirteen and fourteen thousand sub-orders which he was looking after. At one time recently they were coming in at the rate of 100 to 150 a day. All of that has to be listed and checked.

We now come to the director of inspection No. 4. This is headed by Brigadier Dunsterville, who came out to me from England. Colonel Galbraith is a Canadian officer from the Canadian Signals. He looks after respirators, electrical, engineering, and signals stores. These are a complicated and varied assortment of articles. He also has an assistant director of inspection (f), Mr. Taylor, who deals with all domestic articles. "T.U." is textiles and uniforms; "F.B." is men's furnishings and bedding. Men's furnishings, gentlemen, are shirts and underwear. Then we come to "W.C.", this is webbing and canvas. "L.R." is leather and rubber, and "H.B." is hardware and barrack stores. So there is another good variety of articles covered by Mr. Taylor.

Then we have D.5, that deals with mechanical transport. Colonel Hoare is an officer with great experience from England who has only recently joined me. Prior to that mechanical transport was being looked after by my D.3. He has a Canadian officer, Major Mayhew, under him, and they do all tanks and mechanical transport. Then I have an administrative officer who deals with all administration, with a man and two ladies to help him. They do all the work in connection with the management of staff, all personal records, etc. When an inspector wants more staff it goes through the administrative office to be checked up. They settle with the Department of Labour and in consultation with the firms in the neighbourhood as to what is the proper rate for those of our staff who are on basic rates. Our skilled staff are all on a fixed rate, but our third and fourth class examiners and the lower grades are on basic rates, depending on the district, and that work is done in consultation with the Department of Labour and the prevailing rates in the district as near as we can get to them.

Then on the right we have the proof officer. All guns, all carriages—

By the Chairman:

Q. Lt.-Col. Scott?—A. Yes. A percentage of all ammunition is fired to see if it is right. Armour plate has to be fired at to see that it will stand up to shot or bullets; and so he is given a large amount of firing to arrange. He also has to test all propellant to see that it is giving satisfactory ballistics. We have a proof range at Valcartier, which belonged to the Department of National Defence. We are developing other proof ranges both in Canada and in the United States, because we could not bring it all to one place. The amount of firing that is done and work that has to be performed is rather large. Some of his equipments are supplied by the Dominion Government and others are supplied from England. He is responsible for the organization of all the proof firing, and it is fairly considerable.

Gentlemen, in the United States I have a somewhat similar organization. It is not an exact replica, because I had to organize it both according to the [Major-General R. F. Lock, C.B.]

load on the particular stores and the staff that I had available. Experienced technical officers are very scarce and one has to try to get the work arranged with the availability of people that can be obtained. Half our work is based on experience but the general organization is very much the same, and we are one organization. For instance, if in Canada I was in difficulty about some particular subject we would send down to New York a message asking them to send up the best advice they could on a particular subject they have in America. For instance, if I have a difficulty on military carriages they would send up Colonel Musson to give us advice on the subject. Similarly, if they are in difficulty, we will say, about an explosive matter, I would have my best explosive man sent down to the States. We interchange in that way. We try to pool our knowledge. I always say that individually we may not know much, but collectively there is very little my staff does not know on the question of inspection of armaments.

We have a miscellaneous section down in the States which covers a large amount of things that are ordered, which are short delivery orders. The last time I was in New York I know my miscellaneous section had 450 contracts. We deal with the most amazing variety. Most of our inspection at the moment is on United Kingdom account; but we as inspectors are only interested in the quality of the article. It does not interest us whether it is going to be used by a soldier from Canada or from England or anywhere else, because we do not know. So we try to keep an absolute uniformity, whether the articles were made in Canada or not. We try to keep a level standard of inspection; and although it is mostly on United Kingdom account now it is quite possible that the article we are inspecting to-day on United Kingdom account may be transferred to the Canadian army. There are such transfers going on. If the Canadian government wants something it is arranged by the Department of Munitions and Supply with the approval of the Minister of Supply in London, to transfer to the Canadian government. So that we have not got any feeling that this is Canadian or this is United Kingdom; it is just stores to inspect.

That gives you a very general idea of my organization. My directors are responsible for the inspection in their directorates. I look on them as disciplinarians. I look on the assistant directors as technical experts. The inspectors have to run the administration of their division and see that their assistant inspectors are doing their work. The assistant inspectors are out in the field running possibly several different contracts, and in the works are the foremen, assistant foremen, overseers, and various grades of examiners.

Now, you will see that though I cover a very large variety of stores, there are some stores that I do not inspect. I do not inspect food for the troops. I do not inspect standard commercial vehicles. The mechanical transport I inspect is mostly tanks and technical vehicles, vehicles that are required for the fighting services as compared with transport services. I do not inspect aircraft or aeronautical instruments, and I do not inspect ships.

By the Chairman:

Q. Who is responsible for the inspection of food stuffs?—A. The Quartermaster-General.

Q. Of the Department of National Defence?—A. Of the Department of National Defence, sir.

Q. And who would be responsible for the inspection of aircraft and aeronautical instruments?—A. The Royal Canadian Air Force.

Q. And ships?—A. Ships, the Royal Canadian Navy. We do a certain amount to help each other out. For a long time I was inspecting a lot of cables for the navy. That was in the early days when I was here before the board was set up and there were some very large orders for electric cable for naval purposes and I arranged the inspection of that. And recently my friend the

chief inspector of the aeronautical inspection department in Washington was in difficulty over a small contract he had in Toronto and I helped him—that was for simple aeronautical instruments—I helped him out on that. The British Admiralty technical mission have an inspector of naval ordnance and we work in very close collaboration, and if we get to any particular point where I feel that one of his officers can advise we seek his advice. We always pool our resources and help each other out in any way that we can.

By Mr. Graham:

Q. Can you tell us what the practice is in Great Britain with respect to the inspection of food stuffs; is it the same as here?—A. I think it is; as to general procedure, certainly. The contracts are placed through the War Office by the Quartermaster-General and the Royal Army Service Corps inspect it wholesale and the regimental orderly officer sees that meat or bread at the ration stand.

Q. You are not certain whether that is the practice now in wartime?—A. It is the same general practice. The only thing I am in doubt about is whether the Ministry of Supply have taken over the procurement of food stuffs. I am sure that the actual inspection is still done by the Army Service Corps and the regimental officer.

Q. What about airplanes and airplane equipment in Great Britain?—A. By the Ministry of Aircraft Production.

Q. And in the matter of ships?—A. By the Admiralty. They have their officers at the various shipbuilding works.

Q. So that roughly speaking we are pursuing the same method?—A. The general line is identical.

By Mr. Bradette:

Q. Would I be right in concluding from your remarks that your inspection service at the present time has nothing whatever to do with material supplied to the air force; I mean, with respect to machine guns, or guns of any kind, or any armament, or any equipment—you mentioned clothing, for instance; do you leave items of that kind to the department that you have mentioned?—A. My Director of Inspection No. 4 does all the clothing, and that includes the navy and air force as well.

Q. Your department does that; and the same applies to armaments and all mechanical equipment?—A. We do the machine guns and small arms ammunition for the Royal Canadian Air Force and the Royal Canadian Navy; if I were asked to inspect I, of course, would do so. But they probably would be wanting munitions and guns of a type used by the Royal Navy which I do not inspect. I would ask the Admiralty technical mission to carry out that inspection. If they were unable to do so I would do it with my own men and my own staff. I have had one or two requests from the Royal Canadian Navy but I do not think at the moment they have very much armament on order. The point is that we try to place the inspection with the staff most competent to do it.

MR. BRADETTE: I thought that with the equipment and machinery and the inspection staff that they have under General Lock it might save something.

THE CHAIRMAN: I understood from General Lock that he inspects for all the fighting services, the army, the navy and the air force.

THE WITNESS: On small arms and small arms ammunition, yes.

THE CHAIRMAN: Yes.

THE WITNESS: I do not think the case has arisen of the Royal Canadian Navy placing orders for big guns or ammunition, but you may be sure that if the Royal Canadian Navy wanted help in inspection of an order for guns they will get my assistance if required. I do not think they would set up a department of their own.

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By Mr. Golding:

Q. In connection with the inspection of munitions, such as shells and that sort of thing, I do not know what the situation is now but I have always felt that a lot of money could have been saved had these inspectors been thoroughly trained before they were sent out on the job of inspection; what is the position now, are these inspectors trained before they are sent out to do inspection work?—A. Yes, sir. The normal procedure is, we are taking shells as an example, there was a United Kingdom order placed with National Steel Car somewhere about 1936. Inspection on that contract was organized with an officer and a few men from Woolwich who trained men in Canada locally. As a rule, a contract starts slowly so you can train your staff gradually, and then they train others; and in all the different branches of munitions I have had as a rule one officer and about four men sent out from England with a complete knowledge of the subject, and they have trained a staff before the contract has got into production. I was talking to one of my officers this morning; he is in charge of cartridge case inspection, and was trained by one of the officers who came out from England. When he has a new contract he gets together one or two experienced Woolwich men, and possibly one or two experienced men from another contract that he has engaged locally, and then they train new staff. They start possibly with four whom they anticipate will make overlookers, and at the same time he always encourages the contractor, who has an inspection staff of his own, to send his men to a school he organizes to train them before production starts. When the contractor notifies that he is going to increase his output, we bring in more people to train so that we are always just a little ahead, and will not delay the output.

Q. I know that that was the inspection last time and it cost the manufacturer a lot of money and needless expense?

Mr. GRAHAM: You mean, in the last war?

Mr. GOLDING: In the last war. I happened to be a shop foreman in a plant where they were making shells. Just to give you an illustration of that waste of money. You take the base plates, you know they test these plates to see if they are safe?

The WITNESS: Yes.

By Mr. Golding:

Q. Well, many of these fellows did not seem to have any knowledge of the thing at all, and you would have shells sent back with loose bases, and that sort of thing. The chief inspector went away one week, and while he was away someone had suggested to him that a good way to test these base plates for the shells—they always tested them, you know, with the bases up—was to put a small nickel on it and hit the shell and if this nickel turned over your plate was loose, do you see. Actually, it didn't tell you anything. So when he came back after this week away there was a row of shells set out with loose base plates. You could not talk to the inspector. You could not tell him anything, that that was no test at all. So what I did was to send shells over there that were not cut out at all and the base plate never put in, and they sent those back as loose plates on this test; it was the only method you had of showing how foolish that thing was, you see. We had another cutting operation. We had expenses put on just for that sort of system which you couldn't justify, and what I was anxious to know now is this: are you having any trouble nowadays with that sort of thing with your inspectors? If they were properly trained that would not happen.—A. Well, sir, I have read a book, the History of Canadian Production in the Last War; and I have heard also that a large number of the inspectors were people who knew less than nothing about it.

Q. That is right.—A. In this war all my inspectors and assistant inspectors of the officer class are mechanical engineers, so they do know what they are

talking about. I mean, they have the background and they can learn the specialized work far more quickly than, we will say, with all due respect, a lawyer.

Q. That is what did happen.—A. Now they are all mechanical engineers. I have had the advantage of getting a trained nucleus from England, and it might be convenient, sir, I think, here to mention that we have sent a very considerable quantity of stores to England made in Canada in this war. One of my officers, whom I had to send over to England to get some information recently, made a particular point of asking all the inspectors at home what they thought of our products.

By the Chairman:

Q. That is, Canadian products?—A. From Canada. They have looked at our products very carefully and they said they were extremely good. It is of course a great relief to me to know that, but it is not wholly due to the assistant inspectors I brought out from home, they deserve great credit for it; but we have had the greatest co-operation from the contractors and from the Department of Munitions and Supply. But I thought the committee would be glad to know that we have received those very favourable reports on what is going over this time. And a lot of that, I am sure, is due to the fact that we have had mechanical engineers on the job instead of people who do not know so much about it. Does that clear up the point?

By Mr. Golding:

Q. Yes. I know what the situation was last time. You see, they are punching shells; and they are doing a good job of it; you have no doubt seen these shells and that is a very excellent job?—A. Yes.

Q. Nevertheless, they are not as good as the shells we bored in the last war, you see; and we got to the place in boring that you could hardly get them by. The munitions board came up there to the plant then and looked the thing over and after that we didn't have any further trouble; but that put many companies to a tremendous expense and a useless waste of time and money; and I am glad to know now that that is corrected. When war broke out here and at the session when war was declared, Canada against Germany, there was a gentleman up in the gallery who had been with the Dominion Bridge Company in the last war and he called me up there and spoke to me about this very thing and suggested that this time these mistakes should not be made, and that trained inspectors should be sent. However, I am glad to know that that is being done now.—A. I have one or two other checks on our men, sir; whenever I am going around any works I always try to see the president of the company by himself with nobody else present and ask him whether he has any complaints against my staff; because, if he has then I can investigate them, and if he hasn't got any complaints it is satisfactory. I also get certain representatives of the Department of Munitions and Supply, when going around, to make inquiries on my behalf, so that I am always finding out by various means whether my staff are doing their job properly. If I hear complaints, then I have an investigation to find out what has happened, and if I find a man who is not doing his work I discharge him or shift him, because it is no good carrying a man who is not getting on. Half of the success of inspection, sir, is co-operation with the contractor. If he is your friend and you are working together you will get good production. If you antagonize him you won't get any better.

Q. Well, now, at the present time each plant has its own inspectors before it goes to the government inspectors at all. They have trained inspectors making inspections, and you do not find much conflict between the two; you haven't had any trouble?—A. No, no real trouble. One firm was trying to

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push everything up to us and we told them it was simply a waste of their time and ours. We advised them to examine the output from each machine, because if an article is spoiled in the first operation it is not going to save anything to put it through the other ten operations, and it wastes man hours. Our rejections generally now are not very high. I have had very little trouble; and if you tell a contractor where a difficulty is arising on a particular point and give him the general story you will usually find him willing to co-operate. I had one trouble which I think I might mention. A firm—it was a very important contract—where the product was not very good, and it was a short-term contract where we hadn't got a special bond. My man there noticed that a pile of articles he had rejected was getting smaller and he also found that contrary to his instructions the firm was packing at night, so he went in early one morning when the boxes were still there and had the boxes opened and found a lot of rejected articles packed for shipment. I went straight to the Department of Munitions and Supply and told them the whole story; it had nothing to do with the management of the firm, it was just the idea of the foreman who had been getting into trouble with the management for not getting production. I do not think that firm will let that happen again.

By the Chairman:

Q. Have you had other illustrations of that?—A. That is the only case of dishonest practice I have had.

Q. You have just run across that one case of dishonest practice in the whole of your inspection experience with Canadian manufacturers?—A. Yes; of course, I have had careless practices where we have had to reject things because the manufacturer has not read our specifications or has gone and got material which we have not tested; but then, I do not look on that as dishonest practice, it is more often a case of ignorance or hurry than anything else. But we have had always the greatest support from the Department of Munitions and Supply, and they back us up in every way.

Q. But only the one case of dishonest practice?—A. Only one, and that was a very minor and unimportant thing.

Q. Which you caught?—A. Which we caught. I was very glad to catch it because it was a very good thing to have an example on something that was not of prime importance. There were plenty of other articles of the same nature.

By Mr. Bradette:

Q. Following up the point raised by Mr. Golding: If we had bad inspectors during the last war—1914 to 1918—we must have had some good ones too, men who gathered a lot of experience during those years. Asking a question, General Lock, are there many of those now employed in your department?—A. Yes, sir, we have some. However, a man who was in a fairly responsible position in the last war is twenty five years older now and it is hard—I feel it myself, because I was on inspection in the last war, for some of the older men to stand the work.

Q. You are hiring some of these men at the present time?—A. I have a lot of men who were on in the last war, but the man who was forty in the last war, is now going on to sixty-five or seventy.

Mr. GOLDING: Generally speaking the men were fairly good and they were honest and everything else, but you occasionally ran across a chief inspector who just wanted to lord it over everybody and his opinion was the only one, and he was always loud. Now, you remember—maybe you were not interested—but they used to have district inspectors, do you see, and on different occasions we had shells which were turned out. I remember one time shells were turned out for a high bore for the rejects; and I said to the inspector, "now these shells are not high bored." He said, "you knew what was the matter with them before they came in here"; as though a foreman could watch every individual

shell. I said, "I did not, and I do not know now." And he refused to take these shells, they were out. So we just left them out, and the district inspector came along and he said there was not a thing the matter with them. But eventually they got rid of that chief inspector and we got along fine.

By Mr. Fournier:

Q. Would it be possible to indicate to us how many employees you have on the personnel of this board?—A. I would prefer not to do so, because the number of inspectors gives to any initiated person a very good indication of the amount of output; and I feel I am not allowed to speak about quantities.

Q. How many people are working under you on that board?—A. That is my point, sir; the number of people that I have employed. If you take the various lists that have been published I think enemy agents would be able to get a very clear idea—of exactly what quantities we were turning out.

Q. Well, I withdraw that question. Can you tell us how these men are appointed?—A. Yes, sir. With respect to our professional classes we advertise, we approach the universities and engineering institutes and so on, and we get them, and see what their background is and get references for them.

Q. Have you any special organization in the board to examine these applicants?—A. I send an officer, or some of my officers, to see them; or they are seen if they call by the officers concerned who are most likely to want them. The other day I was short of assistant inspectors and I got an offer of a large number from a big firm in Canada, who could be loaned to me. I sent one of my officers along to interview them.

Q. You have no appointment board to examine these people?—A. No, sir; it is all ad hoc.

Q. How do you determine the classification of these inspectors and other people?—A. They start as assistant inspectors; that is the professional class, and it depends on their engineering experience (they are mostly engineers by profession) and on the experience they have had in works prior to their interview.

Q. Could you give us any idea of the proportion as between British and Canadian employees from your board?—A. Yes, sir. United Kingdom based staff in proportion to what are termed locally engaged, about one per cent.

By the Chairman:

Q. That is, one per cent is British?—A. One per cent is out from England.

By Mr. Bradette:

Q. In the Order in Council I think it said the salary was \$350 a month, and it was suggested that there was a certain demarcation that might apply to certain cases. Would it be in order to ask generally what amount is paid to the directors?—A. The military officers receive the army pay of their ranks or appointments, Mr. Gordon is on an English salary.

Q. That would mean that they would have more than \$350 a month?—A. Yes. They are all permanent force officers, and so they do not come into that classification. The salary of \$350 a month is for temporary staff, staff engaged in Canada and the normal rate at which an assistant inspector joins is \$3,300 per annum. That was agreed with the Civil Service Commission.

Q. These would be our technical men?—A. Oh, yes, professional engineers. There are other grades, who are not engineers and start at \$2,400; then we have the examiner grades, some are on basic rates, others are on scales, the second class examiner gets 72 cents per hour.

Q. That is for an 8-hour day?—A. For a 48-hour week. Our first contracts were in three towns in Ontario having different working hours. As I knew that I was going to operate all over this continent I said that we would work a 48-

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hour week right through, I got in touch with the Department of Labour and they raised no objection to that, and so we have a 48-hour week for all our staff in Canada. We could not do that in America because the 40-Hour Week Act applied, and all our staff in America are now on the 40-hour week. We had them on a 48-hour week but there was objection raised so we put them on 40 hours.

By Mr. Fournier:

Q. Might I clear up this point, that the Civil Service Commission of Canada has nothing to do in the matter of these employees?—A. Oh, yes, we got the Civil Service Commission of Canada to help and they appointed quite a large amount of the staff. All the staff that I took over from the Department of National Defence since the 1st of January were practically all appointed by the Civil Service Commission; that is, all the people working under Brigadier Dunsterville, and several who are working under Colonel Howard and Colonel Ivory. We worked in consultation with the Civil Service Commission and our rates have been agreed to by the Civil Service Commission.

By Mr. Pottier:

Q. If you have clerical work of any kind to be done you get your employees from the Civil Service Commission?—A. Yes, sir.

Now, sir, would you like me to continue my evidence?

The CHAIRMAN: Yes, if you would.

The WITNESS: I think, gentlemen, it would help you to appreciate the position if I describe the contacts we have. The first thing in connection with an order is a contract demand, and the Inspection Board immediately has to see that drawings and specifications are available.

Having got the contract demand the Ministry of Munitions and Supply may want to make inquiries. We supply the drawings and specifications for them to make inquiries from contractors. When tenders are sent out we issue the drawings and specifications to guide the tenderer. When the contractor is selected we issue the drawings and specification marked to govern this particular contract. That is in effect a legal document and shows what the contractor has to make.

At various times the contractor may come in to obtain information and they may be brought along to us to explain some technical detail. We, as a rule, first hear of the order through the very close co-operation between my inspectors and the officers in D.M.S. who are handling the job. Very often it is verbal before we get anything written.

By the Chairman:

Q. D.M.S. means the Department of Munitions and Supply?—A. Yes. If it is a long term contract, as soon as the contract is awarded the officer who is going to arrange the inspection visits the firm, and takes the opportunity to discuss our requirements. He has to consider also the gauges he will require in this particular contract and orders are placed for the gauges. He notes the staff requirements and keeps in close touch with the contractor to see how he is getting on and when he will be in production. We send him out form letters to tell him that every sub-order he places must be made known to us. When he gives out a sub-order we write to the sub-contractor and tell him who will inspect and that he is to keep in touch with us and what we want done in the way of testing and marking the material. Sometimes the sub-contractor sub-contracts again and so we follow the thing right down to its source. In that way we know where all the materials are coming from and examine them.

On a big job the contractor will write in sometimes and ask if he can make the thing differently. On a job like a gun carriage he may want to do some-

thing different. We go into that very carefully. One of my officers told me that he had an eighty-page letter from one firm of alterations that were desired. He was able to meet that in some cases and in others he could not and explained why. Of course, the first thing we are always asked is whether we can use American thread instead of the Whitworth that is common practice in the United Kingdom. And the answer almost invariably has to be no, because as I have said you may have a fuse made in Canada to be placed in a shell made in Australia to be fired from a gun made in England. Therefore you must have all the parts carefully made to the specifications set out. If you put an American thread into one of these you would not get interchangeability.

By Mr. Graham:

Q. In view of the last part of your answer, is the United States adopting the same attitude in co-operation?—A. In some cases they are going to. I was discussing it with an American designer not long ago on a particular equipment and he said they would put American thread on some of the individual units of a sub-assembly. (The front axle of a car is an example of a sub-assembly.) That would be interchangeable with the British design. But in many cases they are going to put American threads and then we shall have to simply regard that as another mark of equipment not interchangeable. Of course, we cannot insist; we can only plead.

Q. I can see that.—A. I think that probably answers the point you asked about gauges. We go into the same gauging practically as in England, but we allow differences merely because British standard specifications do not agree always with Canadian engineering standards, so we take the most suitable, and we try in every way we can to meet the contractor. If he wants to make a thing in a certain way we would allow it if it does not affect safety or efficiency. We had one contractor once who wanted to change all the steel in a gun. Well, he just could not do it. The gun would not have fired a single round; it would have blown up. It would have made it easier for him to make but it would not be much good as a gun. We take up all these points with the contractor. We allow them what we call concessions. Those are all recorded. If the concession is going to help another contractor he is told. We try to persuade them as far as possible to work as close to the drawing as they can because we want to get the best article we can. If, however, there is going to be real difficulty to machine the part we allow them to leave it rough because we do not want to waste machine tool hours. When a firm is getting into production we put our staff in, and the general rule is that the junior grades have no discretion at all. The overlooker will see that they are passing the right stuff and what they throw out the overlooker will examine to see if anything can be brought in, and so it goes up, with discretion according to the rank and experience of the individual until we get the thing passed or finally rejected.

A certain amount of ammunition is taken up for proof and fired and the batch it governs is released. We see it packed and we see it on rail. We are responsible for all correct markings on the articles and we put our own private stamp on to show that the articles have passed whatever inspection is necessary. I produce an advice and inspection note of the United Kingdom. The contractor makes seven copies and they are distributed as shown on the document; No. 1 becomes the voucher for payment, No. 2 is for the United Kingdom accountant, No. 3 is for inspection use, No. 4 accompanies the contractor's invoice, No. 5 is for the consignee, No. 6 is kept by the contractor, No. 7 is spare. I have been rather general in this because I have been referring to the overseas account; that is, the United Kingdom account. We sign all inspection notes. The Department of Munitions and Supply take the articles on charge and issue them to the other side. The Dominion Government system has been rather

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different. They made their inspection department take the articles on charge before payment can be made. That was due, I think, to the delays in payment; but we have been pressing that there should be a revised scheme, because I do not think as a principle that the inspection department should be store-keepers. That is still under discussion in the various departments. The main principle, I think, that you are interested in is that our inspection note shows how many articles have been accepted and that they are serviceable. I have here a set of inspection notes. They give all the information that is necessary to identify the articles. They give the contract number, the number of sheets, the number of packages, the date the stores were placed in the inspection department, the date the stores were placed on rail, to whom consigned, the designation, the quantity submitted by contractor, the numbers accepted, the numbers rejected, and it is signed by the examiner, countersigned by the inspector who certifies that the above-mentioned stores have been inspected, that they have been entered in the accepted column as being fit for His Majesty's service. Then, the rejected column gives the rejects with the reasons set out. It says: "It is required that the articles rejected be removed within eight days from the date of this information." It also says: "I also certify the accepted stores have been delivered into bond at the contractor's works." There is also a certificate by the accounting officer of the Department of Munitions and Supply. "I certify the accepted stores have been brought on charge by this voucher except those expended in test."

By Mr. Macdonald:

Q. May I ask you if the inspection board covers tanks as well?—A. Yes, sir; in this chart it shows we do tanks and mechanical transport.

By the Chairman:

Q. This is a complete set of an inspection note?—A. It is a complete set.

Q. And the material you have just read is from the complete set?—A. Yes, that is the English one. The Canadian is at present under revision. It has the same general principle, that the inspectors certify as to numbers and quality. It is a voucher, as it were, for the paying officer to pay. He cannot pay without an inspection note.

Q. Will the Canadian form carry the same certificate as the British form?—A. Yes, fit for service.

Q. That the stores have been inspected, and it is entered in the accepted column as being fit for His Majesty's service?—A. Yes. All the technical officers in Canada have been on a course of training in England and I think the general set-up is modelled on the practice in the United Kingdom. The wording, I think, is exactly the same. This is the form that is being revised: "Certified that the above mentioned articles have been inspected; that those entered in the approved column are fit for service and conform to the acceptance of tender and that those in the rejected columns are rejected for the reasons stated." Again the certificate is as follows: "Certified that the above mentioned approved articles have been received in accordance with the inspector's certificate and are hereby brought on charge." The wording is almost identical.

Q. You are now reading?—A. I am reading now from the Canadian form; but I do not want to go into detail on that because the procedure is being revised.

Q. In respect of the Canadian one?—A. Yes, in respect of the Canadian procedure. I hope I have not kept you too long or gone into too much technical detail. It is a wide field to cover and is rather a technical one. I mentioned that to the Minister of National Defence the other day. He said very few people know much about inspection, and I only hope that I have thrown a little light on the subject.

By Mr. Graham:

Q. Suppose through some method not anticipated some inspectors failed properly to inspect and certified the goods were suitable for His Majesty's service when in fact they were not, and that were later discovered in the actual use, would there be recourse against the contractor even then?—A. I think once we have accepted the goods we have to take them, but there are many people involved in the inspection of an article. Let us assume for the sake of argument that we had a dishonest inspector in charge of the work and he was in collusion with a contractor. In that event he would have to bribe all the examiners, possibly dozens of people, and I think in such matters, there is less risk of dishonesty if many people are involved. I might mention one point, sir. We were a little bit troubled by the various accidents that have happened south of the border, and we felt it would be a wise precaution to keep our eyes open for any action by enemy agents. With that thought in mind I asked Commissioner Wood of the Royal Canadian Mounted Police to give me assistance, and through him we got a man who had been employed by the Canadian Mounted Police and a lot of ex-Canadian Mounted policemen to go around to various works. They are called the Counter Sabotage staff. We also have persons from headquarters continually paying visits. Proof is done by an entirely separate organization. It is pretty well a certainty if there was dishonest work going on proof would disclose it. Empty munitions go to the filling factories and they are looked at again there. A percentage of the filled munitions is again tested at proof. This gives some indication of the checks there are against the failure of an inspector.

By Mr. Macdonald:

Q. May I ask General Lock if the result in England shows that his inspection work here has been thoroughly and properly done or if there have been complaints from time to time?—A. I said a little earlier, sir, that I had an officer over in England and he made a point of working with the inspection branches all the time. He inquired about the articles sent from Canada and was told they were most satisfactory. I had five locally engaged assistant inspectors whom I sent home for training. They went around to the filling factories where the munitions are filled with explosives. They said they saw Canadian munitions being filled in February that had only been made in Canada in January. There is a date stamped on all articles. They said the impression they got was that the British workmen liked to fill Canadian ammunition because it was so good.

By the Chairman:

Q. The British workmen in the shell-filling plants?—A. Yes.

Q. Preferred working with Canadian shells?—A. Yes; they got them if they could. They seemed to like it, it was so satisfactory.

By Mr. Bradette:

Q. They did not say they preferred it, they liked it?—A. It was pointed out that they thought it was really good. In the last war there was some ammunition from this continent that was not good. I was determined to try to stop that if possible.

By Mr. Gladstone:

Q. Are you called upon to inspect any plants under construction or aerodromes or anything like that?—A. No, sir, we do not do plants at all; we inspect only articles made in plants.

B. Mr. Graham:

Q. Why, if the inspection board has proved apparently so efficient in the items that you do inspect, has it not been extended to air services and the navy?

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Is it because they are specialized?—A. It is such a specialized job, sir, I find that I am now rerepresenting ten different organizations at home. In the early days of the British Supply Board I was asked if I would undertake inspection of aircraft. I said it would be perfectly useless because although I could cover most munitions and explosives, I did not know the first thing about airplanes, and to have a head of the organization who did not know any thing about the subject would be just absurd.

Q. It is a very big and complicated job?—A. Yes.

Q. With tremendous evolution going on all the time?—A. Yes. It is entirely different type of work.

The CHAIRMAN: Are there any other questions that the members of the committee would like to put to Major-General Lock? If not, I am sure you would all wish me to express our very great thanks to Major-General Lock for the description he has given us and the manner in which the inspection board of the United Kingdom and Canada functions. Thank you very much indeed.

The WITNESS: Thank you, sir, and thank you, gentlemen. I think you have been very patient.

The CHAIRMAN: Then shall we adjourn until to-morrow at 4?

Mr. BLACK: To-morrow is a short day in the house. I think we should not meet when the house is in session.

The CHAIRMAN: Our session to-morrow will be fairly short. We shall have Mr. Ronson of the treasury board before us. I do not believe he will be very long. After that I think we ought to discuss certain specific matters that may engage the attention of the committee.

Mr. BLACK: Why not have the meeting at the customary hour of 11 o'clock to-morrow?

The CHAIRMAN: We shall adjourn until 11 o'clock on Thursday.

The committee adjourned at 12.55 to meet again on Thursday, April 3, 1941, at 11 a.m.

APPENDIX

P.C. 5995

PRIVY COUNCIL

CANADA

AT THE GOVERNMENT HOUSE AT OTTAWA

SATURDAY, the 26th day of October, 1940.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

WHEREAS the Minister of National Defence reports that in the interests of efficiency and economy in the inspection service with respect to munitions of war and supplies being produced, manufactured or assembled in the Dominion of Canada and the United States of America, it is desirable to establish an inspection board which will co-ordinate the activities of the inspection services on the North American continent of the Governments of the United Kingdom and Canada.

THEREFORE His Excellency the Governor General in Council, on the recommendation of the Minister of National Defence, with the concurrence of the Minister of Finance, and under and by virtue of the War Measures Act R.S.C. 1927, C. 206, is pleased to order and doth hereby order as follows:—

1. There shall be a board to be known as the Inter-Government Inspection Board (hereinafter called the Board) to consist of four members; two members shall be appointed by the United Kingdom Government, and two members shall be appointed by the Canadian Government. The Chairman shall be appointed after consultation between the Governments of the United Kingdom and Canada.
2. The duties of the Board shall be to inspect and certify such classes of munitions and supplies as shall be directed by either or both governments and to act as the agent of the contracting government in the performance of such duties.
3. The Board shall have power to enter into an agreement or agreements with either or both of the said governments for the purpose of further defining and carrying out its duties; and the Minister of National Defence is hereby empowered to execute any such agreement on behalf of the Canadian Government; the Board shall also have power to make such regulations as may be required for the carrying out of its duties, subject to the approval of the Minister of National Defence and the United Kingdom High Commissioner in Canada.
4. Under and by virtue of the War Measures Act the Board may employ such officers, clerks and employees as is deemed advisable for periods not exceeding six months and renew such employment from time to time, subject to review by the Minister of National Defence and the United Kingdom High Commissioner, for further periods not exceeding

six months, and fix the rates of compensation subject to the terms of the regulations mentioned in the last preceding paragraph. Appointment at a monthly rate of salary in excess of \$360.00 shall be subject to the approval of the Minister of National Defence and of the United Kingdom High Commissioner in Canada.

5. Each of the Governments concerned will fix and pay the salary and allowances of its members on the Board.
6. The costs of the Board of Inspection services and of salaries of personnel shall be apportioned between the two governments according to the services performed on behalf of the said governments.
7. The Board shall report periodically to the two governments through the United Kingdom High Commissioner in Canada and the Minister of National Defence at intervals of not more than six months.

His Excellency in Council, on the same recommendation and under the authority of the Civil Service Superannuation Act, R.S.C. 1927, c. 24, the Civil Service Superannuation and Retirement Act, R.S.C. 1906, c. 17, and of the War Measures Act aforesaid, is further pleased to order that service under the Board by any permanent officer, clerk or employee of the Government of Canada who may be temporarily transferred or appointed to the Board and who at the time of such temporary transfer or appointment is a contributor to the Civil Service Superannuation Fund or to the Retirement Fund, shall be deemed to be service in the Civil Service of Canada for all purposes of the Civil Service Superannuation Act and the Civil Service Superannuation and Retirement Act, at the rate associated with his permanent position.

A. D. P. HEENEY,
Clerk of the Privy Council.

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SESSION 1940-41

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, APRIL 3, 1941

WITNESS:

Mr. W. C. Ronson, Assistant Deputy Minister, Department of Finance

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

THURSDAY, April 3, 1941.

The Special Committee on War Expenditures met at 11 o'clock a.m. the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Green, Macdonald (*Halifax*), MacInnes, Marshall, McGeer, Picard, Pottier, Sissons, Thorson.

The Chairman presented a list of exhibits filed by Mr. G. K. Sheils, Deputy Minister, Department of Munitions and Supply, consisting of office forms, instruction letters and other documents referred to in the course of Mr. Sheils' evidence.

It was ordered that the said list of exhibits be printed.

The Chairman also read into the record a communication from Mr. Henry Borden, K.C., General Counsel for the Department of Munitions and Supply.

Mr. W. C. Ronson, Assistant Deputy Minister of Finance, was called. He gave a statement on the constitution, functions and membership of the Treasury Board, and was questioned. The Witness filed copies of six Orders in Council identified in the list of exhibits appearing in this day's record of proceedings.

Witness retired.

Discussion followed as to future proceedings of the Committee, the Chairman suggesting a number of specific subjects of inquiry after having obtained certain information from the Departments concerned.

On motion of Mr. Golding,

Resolved,—That the Chairman be authorized to draft appropriate questionnaires to be submitted to departmental officers, and that a meeting of the Committee be called for the approval of the said questionnaires.

The Committee adjourned at 12.45 p.m., until Wednesday, April 9, at 11 a.m.

R. ARSENAULT,

Clerk of the Committee.

EXHIBITS FILED

Following is a complete list of exhibits filed with the Committee to date, including those filed by Mr. Sheils and referred to in this day's Minutes of Proceedings. The page of the evidence on which reference is made to each exhibit has been added.

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By Mr. W. C. Ronson, Assistant Deputy Minister of Finance

46. Orders in Council identified as follows:—
(a) *Re* Pay of Civil Servants while on active service—P.C. 2584 dated September 7, 1939;
(b) *Re* Committee of Civil Servants *re* transfer of Staff—P.C. 522 dated February 8, 1940;
(c) *Re* Method of appointment and procedure *re* war employees—P.C. 1/1569 dated April 19, 1940;
(d) *Re* proportion of Permanents and restriction on reclassifications—P.C. 32/1905 dated May 10, 1940;
(e) *Re* discontinuance of superannuation pensions and annuities during active service—P.C. 5/1800 dated May 3, 1940;
(f) *Re* Regulations *re* allotments and commitments under War appropriation—P.C. 6695 dated November 19, 1940.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

April 3, 1941.

The Special Committee on War Expenditures met this day at 11 o'clock a.m. The Chairman, J. T. Thorson, presided.

The CHAIRMAN: We will come to order. Mr. Sheils, Deputy Minister of Munitions and Supply, in the course of his evidence referred from time to time to certain documents and forms, and I have had sent to me from the department a complete set of the documents referred to, listed in the order in which they were referred to, with a reference to the page of the evidence on which such reference was made. These can all be filed now as exhibits.

Mr. GRAHAM: Mr. Chairman, I know this is rather a technical point, but we just do not know the things that flow from what we are doing. Should these not formally be identified by some officer in the department?

The CHAIRMAN: They could have been and can still be.

Mr. GRAHAM: I think they should.

The CHAIRMAN: These are sent as the forms that were referred to.

Mr. GRAHAM: I think it would be wise to have it in the minutes.

The CHAIRMAN: All right, then, we will have that done.

Mr. BLACK: Where will these exhibits be kept? Will they be supplied to each member of the committee?

The CHAIRMAN: If you want to go to the expense of getting them all typed, yes; but they are ordinarily filed with the clerk of the committee and available to every member of the committee.

Mr. BLACK: I shall not ask for it now.

Mr. CHEVRIER: They can be seen by the members.

The CHAIRMAN: They can be seen. This is done in accordance with the practice of filing exhibits.

Mr. BLACK: Where can we see them? Where is the clerk?

The CHAIRMAN: The clerk is always available.

Mr. MACINNIS: I imagine what Mr. Black wants to know is the room to which he can go to see the exhibits.

The CHAIRMAN: Room 433. Is there any reason why they should not be filed to-day, Mr. Graham?

Mr. GRAHAM: I am only setting out the principle that each exhibit, frankly, should be identified formally, because I can see that some day some document may come into question. I think the rule of the committee should be to have the exhibits identified by the proper officer who submits them. I will gladly waive it to-day if in future we observe that rule.

The CHAIRMAN: These were all referred to and copies of them had to be made. It takes time to make copies.

Mr. GRAHAM: Somebody could come and say that these are the correct documents referred to in the evidence.

The CHAIRMAN: I thought I might save the officers of the department that trouble. Perhaps it is my fault.

Mr. GRAHAM: I will gladly waive it to-day, if we pursue that principle in the future.

The CHAIRMAN: As a general rule, of course, the document is identified or assurance is given that a copy of it will be presented. These have been forwarded to me from the department as being the documents referred to by Mr. Sheils.

Mr. BLACK: Mr. Chairman, have you set out a list of the documents?

The CHAIRMAN: There will be a list of the documents in the minutes describing each document and giving a reference to the page number of the evidence where reference is made to that document.

Then, Mr. Borden, general counsel to the department, stated on March 26 that he intended to file a specimen of the provision with respect to making working capital available to contractors operating government-owned plants. He enclosed in his letter to me a typical clause in a contract in this regard, which is inserted in contracts where the Crown supplies necessary working capital to a contractor who is operating government-owned machinery and equipment. This clause relates to the payment to the contractor. It is a brief one and might, I suggest, be inserted in the record as part of the explanation given by Mr. Borden. The clause is as follows:—

16. Payment.

(a) Subject as herein provided, payment by His Majesty of the amounts payable to the contractor under the terms of this contract shall be made in accordance with the following provisions:—

(A) His Majesty shall pay or cause to be paid monthly into a special account with a chartered bank in Canada such amount as shall have been estimated by the contractor and approved by the minister as being requisite and sufficient to provide for payment of the amounts properly payable by the contractor during the succeeding calendar month in respect of the cost of the work and any other amounts properly payable by His Majesty to the contractor during such month. Such estimate by the contractor shall be submitted to the minister on or before the 20th day of each month and shall be itemized in such manner as the minister may from time to time require.

(B) All moneys from time to time standing to the credit of the said account shall be the property of His Majesty and shall be used only for the purpose of making payment to the contractor in accordance with the provisions herein set forth.

(C) Until their authority is revoked by the minister, officers or directors of the contractor satisfactory to the minister shall have power to draw cheques on the said account in accordance with a banking resolution in such terms as the minister may approve.

(D) The said account shall not in any circumstances be overdrawn.

(E) On or before the 20th day of each month the contractor shall submit to the minister a detailed report of disbursements made out of the said account during the preceding calendar month which report shall contain the following:—

(i) a record of all cheques drawn on the said account, stating the amounts thereof and the names of the payees and giving a description of the materials purchased and work performed in respect of which such payments were made;

(ii) copies of the bank's monthly statement showing debits, credits and balances;

(iii) bank reconciliation statement,
and such further information and particulars as the minister may from time to time require.

We have with us to-day, Mr. W. C. Ronson, the Assistant Deputy Minister of Finance, who acts, I believe as acting secretary to the Treasury Board. Mr. Ronson will outline to us the control which the treasury board exercises in the matter of war appropriation. Mr. Ronson.

Mr. W. C. RONSON, Assistant Deputy Minister of Finance, called:

The WITNESS: It may be of interest to the committee to review briefly the constitution, functions and membership of the Treasury Board.

The statutory authority is contained in chapter 71 of the Revised Statutes, sections 9 to 13. The provision is for a board, consisting of the Minister of Finance and any five ministers belonging to the King's Privy Council for Canada to be nominated from time to time by the Governor in Council.

The functions of the board include classes of submissions placed under its jurisdiction—

By Mr. Black:

Q. Will the witness set out the names of the ministers constituting the board?—A. Yes.

Q. You are doing that?—A. Yes, in a moment. These are the classes of submissions placed under the jurisdiction of the board: (a) by statute; (b) by order in council; (c) in practice, but not specifically covered by statute or order in council.

The classes for which provision is made by statute, include the Bank Act, the Civil Service Act, the Civil Service Superannuation Act, the Consolidated Revenue and Audit Act, the Supply Act, the Insurance Act, and many others.

The classes referred by order in council are all matters affecting the public service of Canada, including authority for appointments, resignations and dismissals, compensation generally and regulations under the Civil Service Act. In addition, the board deals with a number of miscellaneous classes, such as grants of public funds and the purchase of passenger automobiles.

Classes of submissions referred to the board in practice, include installation of telephones, militia pensions, per diem living allowances, customs-excise drawback regulations and mounted police pensions. In addition the board considers in detail the estimates of expenditure for the normal government services and for war.

Membership of the Treasury Board is, at present, as follows:

Members	Substitutes
Mr. Ilsley (Chairman)	Mr. McLarty
Mr. Crerar	Mr. Howe
Mr. Lapointe	Mr. Cardin
Mr. Gardiner	Mr. Macdonald
Mr. MacKinnon	Mr. Power
Colonel Gibson	Mr. Michaud

CONTROL OF ESTIMATES

As the committee will be aware, the procedure in respect of normal services is approval in detail by the Treasury Board and Council and submission to the House of Commons by message of recommendation from His Excellency the Governor General. The requirements of the public service are classified on a functional basis and supported to the extent of 214 pages of detailed information.

In making provision for war requirements, it has been found impossible to follow this procedure for the reason that the needs of the war services

cannot be accurately estimated in advance and even if this were possible, requirements fluctuate so rapidly that any detailed estimate would be impossible to administer. For this reason, war estimates are presented in the form of a bill with such details by departments and functions as may be available, on the understanding, always made clear to parliament, that it will be necessary to amend such particulars throughout the fiscal year.

Because of the absence of control, through the details presented in respect of normal services, it has been thought advisable to adopt procedure under which control can be exercised by the government through the Treasury Board, as new and revised requirements become known throughout the fiscal year. This control is divided under three main classifications:

- (1) Estimates
- (2) Allotments
- (3) Commitments

The estimates referred to are the details approved by the government at the time the War Appropriation Bill is submitted to the House of Commons. Unlike the estimates for normal services, the total exceeds the sum provided in the bill, for reasons which will be familiar to members of the committee, since experience has shown that considerable sums provided in such estimates lapse at the end of each fiscal year, because it has been impossible to obtain deliveries and make payments during the fiscal year.

As illustration of this feature, the War Appropriation Act for 1940-41 was for the sum of \$700,000,000, which was thought to be all that could be spent during the fiscal year, though the estimates before the Treasury Board were of the order of \$850,000,000 when the bill was submitted to the House of Commons.

Due to the necessity to provide for new and increased requirements, the war estimates approved by the Treasury Board for 1940-41 eventually reached the total of \$1,450,000,000. While it did become necessary to authorize a supplementary appropriation for \$135,000,000, making a total of \$835,000,000, which is the latest estimate of expenditure for the past fiscal year, the committee will note that it was necessary to approve estimates totalling \$1,450,000,000 in order to reach this expenditure. On this basis, it takes \$100 of estimates to produce \$58 of expenditure.

For the current fiscal year, the War Appropriation Bill is for \$1,300,000,000, though the estimates submitted by the departments concerned totalled \$1,450,000,000, as detailed by departments at page 1491 of Hansard. Notwithstanding this total, it is reasonable to assume that the sum of expenditure for the current year will not exceed the amount provided in the bill. Since their detailed estimates were submitted, the departments have already requested provision for new items which were not foreseen when their original requirements were submitted. Throughout the fiscal year, the Treasury Board will be considering applications for new and increased amounts running to hundreds of millions in excess of the sum authorized by parliament, without there being necessarily any reason to suppose that that sum would be exceeded in actual expenditure.

Additions to estimates approved initially are authorized by the Treasury Board,

- (a) After approval in principle by Council or the Cabinet War committee if new major policy involved;
- (b) Otherwise, without such approval.

[Mr. W. C. Ronson.]

APPROVAL OF ALLOTMENTS

In respect of allotments, it will be interesting to recall that there is no similar requirement in respect of estimates for the normal government services. When these have been approved by the House of Commons and the Senate and assented to by the Governor General, an order in council is passed which releases the totals voted for the use of the departments throughout the fiscal year. The war estimates are not dealt with on this basis but are released in the form of allotments covering requirements for shorter periods. During the past year, these terms were two months and for the beginning of the current year, the first is proposed for April, May and June. The purpose of control by shorter terms is to enable more accurate estimates to be made of the requirements of the various services. The sums so approved are recommended by the Treasury Board after detailed consideration, and are concurred in by the Governor in Council in accordance with the terms of section 6 of the War Appropriation Act.

The sum of such allotments has not, throughout the past fiscal year, ever exceeded the total provided by parliament in the War Appropriation Act, plus the amount authorized by Governor General's warrant at the beginning of the fiscal year. The sums used under authority of such warrant have been submitted for parliamentary approval in the Supplementary War Appropriation Bill. In other words, while the estimates approved by the Treasury Board apparently exceed the sum authorized by parliament, the actual cash allotments to which administrative officers are restricted, never exceed this sum.

APPROVAL OF COMMITMENTS

Having dealt with procedure in respect of estimates and cash allotments, there remains for consideration the question of control of the commitments which may be made by departmental officers. As the committee will appreciate, it is necessary to order equipment and supplies months and even years in advance, for sums which greatly exceed the war appropriations authorized by parliament. On this account, some procedure for control of such commitments is required. This control is exercised through the Treasury Board and the Minister of Finance, under the authority of section 5 (1) (e) of the War Appropriation Act, which provides that "the Governor in Council may . . . by order or regulation, prescribe administrative practices with respect to the making of financial commitments . . .".

Under the foregoing statutory authority, order in council 6695, of the 19th of November, 1940, prescribed regulations as follows:—

- (a) Estimates of requirements for war expenditures shall show as nearly as possible, the amounts of the proposed expenditures which will come for payment in the current fiscal year and in subsequent fiscal years;
- (b) When estimates have been approved by the Treasury Board, financial encumbrances may be issued to the amounts so approved;
- (c) In the event of such urgency that Treasury Board approval cannot be obtained, the Minister of Finance may authorize issue of commitments, subject to later approval by the board of such authority.

By the Chairman:

Q. The question was raised when Mr. McIntyre was before us as to the duration of the order in council that you have referred to, P.C. 6695. It is stated in that order in council that paragraph (e) of subsection 1 of section 5 of the War Appropriation Act, 1940, empowers the Governor in Council to make regulations prescribing administrative practices with respect to the making of financial commitments, and the question was raised whether the present order

in council, P.C. 6695, would have any effect beyond the duration of the War Appropriation Act of 1940, and whether it might not be necessary to pass a new order in council in respect of the present War Appropriation Act that is before the house under the appropriate section in the present bill to enable the financial authorities to act in the same way in respect of the War Appropriation Act of 1941 that is now before the house.—A. I think your point, Mr. Chairman, is very well taken. It just did not occur to me in that light. I am not quite sure that it is necessary because of the fact that the order in council itself is of a restrictive character to a very large extent. However, I shall be very glad to make inquiries from the justice department to see if we should pass another order in council and if so I assume it will be passed promptly.

The CHAIRMAN: Are there any questions on Mr. Ronson's statement thus far?

Mr. FOURNIER: What was Mr. McIntyre's answer to that question?

The CHAIRMAN: He was not sure either. He did express the opinion that the order in council was of a continuing nature, but when the point was raised my recollection is that he was not quite certain.

The WITNESS: I now deal with miscellaneous measures of control.

The committee will remember, that during the Great War, civil servants were at first paid their full civil salaries plus full military pay and allowances. Later on this arrangement was amended to provide for combined payments equal to former civil pay. Finally, payments were restricted to military pay and allowances. In this war, by order in council of September 7, 1939, P.C. 2584, the government directed that civil servants who enlisted in the fighting forces should be given leave from their civil positions without pay. This restriction to military pay saved considerable sums in the cost of normal government services, when compared with the procedure followed in the last war.

By the Chairman:

Q. Do the civil servants, who enlist, get any exemption from their superannuation payments?—A. For the term of the war they are exempted from the superannuation payments subject to this, that when they come back, if they stay in the civil service long enough they must pay a total of thirty-five years, the same as if they had not gone to war. May I continue with my statement:—

The War Appropriation Act, section 5 (1) (a), authorizes the Governor in Council to make provision for the appointment of temporary civil officers, clerks and employees and to determine their rates of compensation and conditions of employment. A similar exemption from the terms of the Civil Service Act is contained in the War Measures Act. Notwithstanding these statutory exemptions from the Civil Service Act, the government decided that it would be in the interest of economy and good administration to make appointments through the Civil Service Commission.

In order to give effect to this policy, order in council of April 19, 1940, P.C. 1/1569, directed as follows:—

1. The authority vested in the Governor in Council under the War Measures Act to make appointments and otherwise deal with personnel shall, unless the Treasury Board otherwise directs, be exercised subject to the approval of the Treasury Board and after investigation of need and rates of pay by the Civil Service Commission.

2. The procedure under which additional positions and other amendments to numbers or rates of pay are authorized shall, unless the Treasury Board otherwise directs, be as follows:—

(a) Application for such changes in organization shall be in the form of a recommendation to the board of the responsible minister, which shall include a detailed statement of duties and, in addition, a clear statement of need if an additional position is recommended.

[Mr. W. C. Ronson.]

- (b) Such recommendation shall be forwarded to the Civil Service Commission in duplicate for investigation of need and rates of pay and the commission's report shall be forwarded to the Treasury Board.
3. Procedure under which appointment to positions so authorized shall be made shall, unless the Treasury Board otherwise directs, be as follows:—
- (a) Every appointment shall be made by the Civil Service Commission after such tests of qualifications as the commission considers practicable and in the public interest.
- (b) Every appointment shall be temporary at the minimum rate of compensation prescribed for the duties to be performed.
- (c) Every such appointee shall be notified by the department before assignment:
1. That his employment is temporary and may be terminated without notice.
 2. That 5 per cent of his compensation will be withheld and paid to him on his retirement, with interest at 4 per cent.

In the Great War, practically all appointments were made without reference to the Civil Service Act.

In addition to the foregoing, order in council of May 10, 1940, P.C. 32/1905, restricts salary increases in the Civil Service to annual increases, and promotions to vacancies occurring in the normal way. Elimination of reclassification increases for the duration of the war has reduced materially expenditures on personnel in the normal services.

Order in council of May 3, 1940, makes provision for discontinuance of pensions and annuities during the period such pensioners or annuitants are on active service during the present war with the naval, military or air forces of Canada.

By the Chairman:

Q. Does that discontinuance apply to all pensions? Does it apply, for example, to disability pensions?—A. No, sir, not to disability, but to all other pensions.

Q. So that persons may be serving with the naval or military or air forces, and receiving full rates of pay and also receiving their disability pensions?—A. Yes, sir.

By Mr. Fournier:

Q. How would they get into the forces if they are disabled?—A. Well, presumably if they are totally disabled they cannot get into the forces.

By Mr. Bradette:

Q. But even if they are partially disabled the medical examinations restrict them quite a bit. The medical examinations are very severe, as I know from members of my own family.—A. There may not be any such person, but as far as the regulations are concerned there is nothing to say it could not happen.

By the Chairman:

Q. Are there any such cases?—A. Of men drawing disability pensions?

Q. And also drawing full army, navy or military pay?

Mr. POTTIER: I think there are.

By the Chairman:

Q. Or air force pay?—A. I would be rather surprised if there are not, but I do not know.

By Mr. McGeer:

Q. You can get those facts?—A. Yes.

Mr. McGEER: Would it not be possible, Mr. Chairman, to have a statement of the personnel and the extent of their disability and pension and the rate of pay and position when they are not in the service. I do not know whether the committee wants that, but if we going to go into that at all it seems to me this committee ought to have it.

The CHAIRMAN: It would be possible but I imagine it would be quite a task to obtain the return. I just asked the question in view of the fact that all other pensions and annuities—

Mr. McGEER: I would not press it; I mean, it was just a matter which was in my mind there, Mr. Chairman.

The CHAIRMAN: Yes.

The WITNESS: There are also a number of orders in council providing for discontinuance of various benefits to dependents if they are employed in the public service.

By order in council of February 8, 1940, P.C. 522, a committee of civil servants was appointed to—

... explore the present and prospective needs for additional staff in the Department of National Defence or other war agencies or activities of the government and the possibilities of suspending or curtailing activities of normal peacetime services which might be suspended or curtailed without serious harm to any vital public interest in order to make existing personnel available for additional staff which might be required by the Department of National Defence or other war agencies or activities of the government with a view to minimizing as far as possible the heavy obligations arising out of war and retaining existing personnel in the service and to report to the Treasury Board regarding present or prospective positions in the Department of National Defence or other war agencies or activities and on the personnel which could be released by such curtailment or suspension, and loaned to fill such positions.

By Mr. Fournier:

Q. Who are the members of that committee?—A. Mr. Finlayson, the Superintendent of Insurance; Mr. Bland, the Chairman of the Civil Service Commission; and Mr. Charpentier, of the staff of the House of Commons.

Q. They inquire into the needs of the defence department as to their future needs in respect of employees?—A. The object was, of course, to fill vacancies as far as possible with people who were already employed in the public service.

Q. Just at that point there is one question I would like to ask: When they are transferred from their ordinary departments to the Department of National Defence do they receive the same rate of pay?—A. Yes, sir; there is no change in their status whatever.

By the Chairman:

Q. That is, if they remain in the service?—A. Yes, that is right.

Q. I mean, in the civil service?—A. As distinct from the military service.

On December 23, 1940, the committee reported that a total of 273 civil servants had been loaned.

[Mr. W. C. Ronson.]

The committee will note that the regulations referred to in this section, are all designed to promote efficiency and economy in respect of personnel, by providing for independent investigation of the need of additional employees, the appropriate rates of pay, the possibility of transfer from normal peacetime services, elimination of duplicate compensation payments, et cetera. As the cost of personnel is one of the heaviest expenditures incurred by the government, the Treasury Board has made a special effort to restrict the number of employees to the minimum required to discharge essential services.

That is all, sir.

The CHAIRMAN: Are there any questions anyone would like to ask Mr. Ronson?

By Mr. Pottier:

Q. Referring to that list of some two hundred odd names of civil servants; they had been in the civil service and have been transferred?—A. Yes, sir.

Q. Have you any idea of the number that were transferred from the civil service into the army?—A. No, sir. I just know there are a good many but I could not give you the number.

Q. Just to get an impression, would there be more than the ones that stayed in the civil service—have you any idea?—A. Anything I could give you would be a pure guess because I do not know. There is no way of checking it, Mr. Pottier. I know the number who went out of the finance department because they come across my desk but I do not know the number that would go out of any other department into the military service, because I never see them.

By Mr. McGeer:

Q. Who would know that?—A. I think you would have to have a questionnaire of some kind to send to the military service to find out how many of their enlisted personnel were former employees of the civil service.

Mr. POTTIER: I think we should have that.

By Mr. McGeer:

Q. Would that committee you mentioned have that?—A. No, sir; they only deal with the transfer of civil servants to civilian positions.

By Mr. Fournier:

Q. When these transfers are made from one department to the National Defence department do they keep the same classification?—A. Yes, sir. I have them here by departments showing where these 273 came from. I will put it on the record if the committee thinks it would be of interest.

Mr. BRADETTE: It is easy to understand why it is impossible for Mr. Ronson to answer a question of that kind, and I agree with his suggestion that a questionnaire would be the only medium through which we could get that information.

The CHAIRMAN: That is an interesting statement, Mr. Ronson. You might just read it into the record in reply to that question.

The WITNESS: May I answer Mr. Bradette's observation first?

The CHAIRMAN: Yes.

Mr. BRADETTE: I do not think you can answer. As has been pointed out we know it is very difficult to get information of that kind, as to how many civil servants have gone into the active services forces, and I believe somebody has suggested the use of a questionnaire for the purpose of obtaining that information. My suggestion is that it might be submitted not only to the military authorities but to the civil service as well.

Mr. MACINNIS: We could have it from the Civil Service Commission or from the state department.

Mr. POTTIER: Could you not obtain the total number transferred from the Civil Service Commission and the army, the civilian part of the army, and then subtract the number of civil servants already indicated and that would give the number in the armed forces.

The CHAIRMAN: That would not give you what you want. This list which Mr. Ronson has been giving you are persons who have been loaned in a civilian capacity to the Department of National Defence in one of the services.

The WITNESS: *Summary of Loans by Departments:—*

<i>Department</i>	<i>No. of Employees Loaned</i>
Agriculture	28
Prairie Farm Rehabilitation Organization	26
Archives	2
Auditor General	2
Canadian Broadcasting Corporation	3
Civil Service Commission	4
Finance	4
Fisheries	1
Justice	2
Labour	2
Mines and Resources	41
National Revenue	33
Pensions and National Health	13
Post Office	43
Public Works	16
Secretary of State	4
Soldier Settlement of Canada	13
Tariff Board	1
Trade and Commerce	11
Transport	24
Total	273

By Mr. Bradette:

Q. That means that that personnel has not been replaced in the old department?—A. That is right, sir.

By Mr. Abbott:

Q. I suppose the Department of National Defence could tell us how many former civil servants are engaged in that department, could they not?—A. I think it would require a special investigation. I do not believe they could get it from any record they have now. I do not think that is one of the questions they would ask a man when he goes to enlist; as to whether or not he had been an employee in the civil service.

The CHAIRMAN: I think you might have to approach it from the point of view first of the department to which the civil servant belonged and from which department he has obtained leave. Each of these departments would have records of the persons who had applied for and obtained leave to go on military service. We would have to gather a list from these departments; then, having that list, you might submit that list to the three services to have them check up the branch of the service in which that person is serving. It is not easy to get all the information together. We would have to go through several avenues.

Mr. POTTIER: I still think we should have it.

[Mr. W. C. Ronson.]

The CHAIRMAN: Yes.

Mr. MACINNIS: For the purposes of the committee I am at a loss to understand what value the information would have to this committee. However, I am open to conviction in the matter.

The CHAIRMAN: We will deal with that in a moment. Are there any other questions which the members of the committee would like to ask Mr. Ronson; if not, he is a busy man in the finance department and we should release him.

By Mr. Bradette:

Q. There is one question we will have to ask. Mention was made of several orders in council which were passed during a time when the house was in session. Those orders, I understand, all come under the War Measures Act.—A. Well, they would not necessarily all be under the War Measures Act. Most of them are, but I am not quite sure that they all are; but the point is that you would like to have them put on the record here. That could be very easily done.

Q. If it could easily be done I would like to have them.

THE CHAIRMAN: To which ones are you referring?

Mr. BRADETTE: The ones Mr. Ronson mentioned in his report a few moments ago. Some of those were passed in April and May when the house was sitting. I want to be clear in my mind as to that and I want to have the record complete with regard to it.

The WITNESS: I have them all here and I will be very glad to leave them here, if you would like to have them.

By the Chairman:

Q. Which ones are these?—A. Here is a list of the orders in council concerned.

Q. Do they include all the orders in council you referred to?—A. Yes, I think every one I referred to is there; that last one is already in your record; that is No. 6695.

The CHAIRMAN: We shall file that as an Exhibit; the orders in council to which Mr. Ronson referred in his evidence.

By Mr. Macdonald:

Q. Might I ask the witness what a quorum of this Treasury Board is?—A. Three.

Q. You are the acting secretary?—A. Yes.

Q. Who is the secretary?—A. The Deputy Minister of the Department of Finance.

The CHAIRMAN: Are there any other questions for Mr. Ronson?

By Mr. Fournier:

Q. I do not know whether this would be a fair question: Could we know what the civil service cost as of say the 31st of March, 1939?—A. The 31st of March, 1939—you won't mind, I hope, if it is a bit of a guess on my part—I would say \$80,000,000 a year.

Q. You say, \$80,000,000 a year; could you give us any idea as to what the cost was on the 31st of March, 1940?—A. I could not, sir. When you get into the war years the whole statistical picture is changed to such an extent that I have not tried to keep up with it at all.

Q. And as to the number of employees on the same dates, have you the figures?—A. I might give you an approximate number for one year prior to the war. Civil servants—and in saying civil servants I exclude casual employees—would run say 62,000.

Q. What proportion of those would have been appointed by the Civil Service Commission and what by statute?—A. I would say that a little over half would be under the Civil Service Act; considerably over half, I think about 45,000.

Q. But you have no idea as of the 31st of March, 1940, what the number would be?—A. No, I cannot answer that question because of the number of special circumstances in connection with employment during the war. For instance, there are any number of large projects being carried on at the moment; you members will probably know them better than I know them; there are thousands of people employed in connection with air-field development and other programmes and so forth.

Q. But those employees come under the Department of National Defence?—A. Yes, they come under the various departments; for instance, your air-field out here was constructed I think mainly by the Department of Transport. I think these air-fields while they are for the use of the Department of National Defence or some of its branches, are actually constructed by the Department of Transport.

Q. Let us get down right to the city of Ottawa. Could you give us the increase in the number of civil servants from the 31st March, 1939?—A. No, sir, we have not made any effort to check. I have seen various guesses in the newspapers and so forth, but we have no figures, it would involve taking a census of the civil service to find out how many there are, what salaries they are receiving and so on.

Q. Part of these employees are paid under the War Appropriations Acts?—A. Yes, their salaries are under War Appropriations Acts. All are appointed in one way, through the Civil Service Commission; but the salaries of people who are taken on for war purposes are paid from war appropriations.

Q. And there is no detailed statement as to these employees and their salaries in the hands of the Treasury Board at this time?—A. No, sir.

By Mr. Black:

Q. Is any provision made under the War Appropriations Acts with respect to special expenditures undertaken by the Civil Service Commission on account of extra work imposed on them due to the war?—A. They have a special appropriation to take care of expenditures they incurred on account of those people they engaged for war work.

Q. What would that amount be for the year just closed, March 31st, last?—A. \$120,300—that is just an estimate.

By Mr. Fournier:

Q. Is that the amount that was allotted to the Civil Service Commission for their own new employees?—A. Yes, sir; new employees and new expenses of various kinds incurred on account of war work.

Q. Could you give us the number of employees they had in 1939, at the end of March, and the number they have now?—A. I could give you the 1939 figure I think, but I cannot give you the number they have now because the 1939 figure is the last I have here. On the 30th of September, 1939, the Civil Service Commission had 239 employees. The number they have now is considerably more than that but I am sorry I haven't got it here.

Q. Would this amount of \$100,000 odd be only for new employees, or for increases in salary for other personnel?—A. It would not be for increases in salary, no one gets any increase in salary.

Q. No reclassifications?—A. No, sir, neither the permanent nor temporary employees.

[Mr. W. C. Ronson.]

By Mr. MacInnis:

Q. That \$100,000 odd would be in connection with expenses, such as examinations, advertising, travelling and so forth?—A. Yes, sir. A very large proportion of that would be because of examinations. You see, they have a most extraordinary number of candidates writing these examinations now. In one instance I remember particularly there were 12,000 candidates. That was the number entered from all over Canada and that makes a very large expenditure on the part of the Civil Service Commission.

By Mr. Gladstone:

Q. Just how far does this order in council preclude increases being given with respect to outside services; we will say, a post office or a customs excise office?—A. It applies to outside services exactly in the same way as it applies to the inside service.

By Mr. Fournier:

Q. Am I to understand, Mr. Ronson, that since the 30th of September, 1939, the date of the declaration of the war, that nobody in the civil service has been promoted or transferred to a higher position?—A. We have to be very careful with the words we use when discussing a question like that. To me a reclassification of position refers to a man who sits at his desk and continues to do somewhat the same work he always has done but gets a higher rate of compensation for doing his work; that is a reclassification. A promotion is this sort of a situation: when an employee is separated from the civil service in some manner or other—dismissal, or death, or superannuation, or something of that kind—a complete separation from the service, and another is put into his position; that is a promotion. There are no reclassifications. There are promotions.

Q. As I understand your definition of reclassification it means the case of a man who has been seated at a desk for years and he receives a visit from the people from the Civil Service Commission who look at the work he is doing and they say you are not paid sufficiently and we are going to raise your salary?—A. That goes on under normal circumstances continuously in the public service.

By the Chairman:

Q. But that is all precluded since the declaration of war?—A. Yes, sir; no more.

By Mr. Fournier:

Q. But there have been promotions right there in the Civil Service Commission on account of leaves of absence or death.—A. Not on account of leaves of absence, because they do not create vacancies. A man has to die, or be superannuated, or resign, or something of that kind; that is, he has to be separated from his position and that creates a vacancy, and that vacancy is filled normally by promotion of someone in a lower classification. The regulation applies, with this exception; I should like to make this clear, that it does not apply to the units of the public service which are engaged exclusively on war work. The units of the public service engaged exclusively on war work are the three defence services, the Department of Munitions and Supply, the Dependents' Allowance Board and some of the smaller organizations. There it has been necessary to increase pay to attract people and to keep them once you have them. But that does not apply to any permanent civil servant who happens to be in those particular units. It only applies to the temporary war people. As an illustration of that, may I refer to the situation with regard to stenographers: It became increasingly difficult to get competent stenographers particularly in the city of Ottawa, in Toronto, in Montreal, in Trenton and

various places like that; and to get and hold these people it has been necessary to pay a little more than we ordinarily pay for stenographers.

By Mr. Graham:

Q. Mr. Ronson, I noticed that quite recently civil servants made representations to ease the treasury ruling that temporary appointments will not be confirmed even though recommended by the Civil Service Commission. Has anything been done to deal with that?—A. No, but the regulation in that respect is contained in the order in council of the 10th of May last—it will be on the record here—it prescribed the proportion of permanents which may be permitted in any branch of the public service. Now the proportion varies from 20 to 25 per cent to 90 per cent, depending on the character of the service. As an illustration: There are a great many services that are of such a character that there is little fluctuation in the staff requirements. There are other services where the staff requirements fluctuate violently on account of seasonal requirements and also because of changes of policy and so forth. It is the view of the Treasury Board that while it is perfectly all right to appoint perhaps 90 per cent of the staff of post offices on a permanent basis, it would obviously be improper to appoint any large proportion on a permanent basis of people who may be employed mainly on account of the war.

Q. The case I had in mind—I do not know whether you have any particulars of it or not—had to do with the Soldiers' Settlement Board; employees of that particular branch would be a fairly permanent thing?—A. Yes.

Q. I can see where the ruling works unfairly on people who come into the civil service—A. You will also note, again, it is not without fluctuations—the work of the Soldiers' Settlement Board—because in the list I have just quoted and placed on the record there were some 13 people transferred from the Soldiers' Settlement Board to war services and that means that the work of the Soldiers' Settlement Board is fluctuating, otherwise they could not have loaned them.

By Mr. MacInnis:

Q. Are the employees of the Soldiers' Settlement Board permanent employees?—A. In general, they are—I quote this proportion with a great deal of reserve—I think 80 per cent are.

Q. They have only been made permanent within the last few years?—A. They were brought under the Civil Service Act; I think that would be the thing you have in mind; that was six or seven years ago.

Q. Yes. They are dealt with in exactly the same way as other units of the public service.

By Mr. Gladstone:

Q. Where the revenues of a post office or a customs and excise office in a city have greatly increased during recent years are you now precluded from raising the grade of that post office or customs and excise office?—A. That particular feature has not been reached in any consideration by the Treasury Board. We are speaking now of a postmaster who, due to an increase in revenue normally would be entitled to a higher classification. There has been no consideration given to that point by the Treasury Board.

By Mr. Graham:

Q. Now, I think the point you are raising, Mr. Gladstone, is that during wartime there is a definite policy not to change the status of post offices?—A. There is the definite policy with regard to the whole public service, that civil servants shall not be granted additional compensation on account of additional duties they may undertake on account of the war. That is their contribution to the war.

[Mr. W. C. Ronson.]

By Mr. Gladstone:

Q. Suppose that during a normal period of years the revenue of a post office or a customs and excise office has greatly increased and it comes to a time when the grade of that office should be raised, would it be possible to do it still?—A. Could you say, Mr. Gladstone, that it was due to normal business at the moment?

Mr. GRAHAM: In the case I have in mind it is, definitely.

Mr. BRADETTE: Wherever there is an increase in revenue there is an increase in work, and there is an increase in staff; that applies both to the post offices and to the Department of National Revenue.

By Mr. Graham:

Q. Let us pursue that point: If you could satisfy the Post Office Department or the treasury that it was due to normal business, would there be any difficulty?—A. I prefer not to answer that question, because there has been no consideration in detail with respect to either of these classes. I can only give you a general answer, that civil servants are not being given salary increases on account of additional duties due to the war.

Q. I am not asking about civil servants, I am asking about the staffs of post offices?—A. Well, they are civil servants.

Q. No, no; the classification of post offices themselves?—A. I see. Are you speaking now of revenue postmasters, of whom there are some 12,000 or 13,000 in Canada?

Q. Yes.—A. They get paid on a revenue basis, and get the benefit if business increases.

Q. No, I mean, the post office is classified; you want to raise the status of all the employees in the post office who come under the civil service.—A. I see.

Q. As I understand it the principle adopted is that where the increase in business is due to the impetus of war reclassification will not be made?—A. That would apply normally throughout the public service.

Q. And that is the limit of the extent to which the principle has been applied?—A. Yes. I would just like to make that clear—I think I understand your question now better than I did before—you are speaking of former revenue post offices which might become classified offices?

Q. Yes.—A. That question has not been considered by the Treasury Board.

Mr. POTTIER: Haven't we anything on the record showing the total amount of pay and allowances?

The CHAIRMAN: No. That is a question I would like to address to the committee, if we are through with Mr. Ronson.

Mr. POTTIER: Well, the question of pay and allowances has something to do with war expenditures.

By Mr. Macdonald:

Q. Mr. Ronson, I understand the usual retirement age in the civil service is sixty-five.—A. Yes, sir.

Q. Is the question of extension a matter of very great concern to your committee?—A. Yes; it is dealt with by the Treasury Board.

Q. Would it not be in the interest of the country that a man in good health should be continued in his position rather than be retired from that position and the position be filled by a new man on his reaching the age of sixty-five?—A. You are speaking of normal times or war times?

Q. War time.—A. I suppose there might be a good deal of difference of opinion on that point. The Treasury Board has thought with respect to normal times that it is an advantage to the civil service to retire people at about the age

of sixty-five, for a number of reasons: one is efficiency and two is the fact that it brings about a steady flow of promotions of the younger men. Of course, there are many exceptions to the rule, but in general there is a considerable advantage in the retirement age not above sixty-five. There has not been any specific consideration on the part of the board as to whether there should be some variation now due to the war.

By Mr. Cleaver:

Q. May I put a question to you with regard to the civil servants who have obtained leave of absence during the war to serve in some war capacity? Do they retain their superannuation allowance privileges?—A. You mean the man who is not retired, but is still a civil servant?

Q. Right.—A. Yes.

Q. Do they make a contribution, their regular contribution to the superannuation fund during the time they are on leave?—A. No, sir, no contribution.

By Mr. Fournier:

Q. But later on they are called on to pay for thirty-five years?—A. If they serve for a sufficient period they must eventually pay for thirty-five years, but no contribution during the war.

By Mr. Cleaver:

Q. Are they permitted, if they wish to continue their annual contribution, to build up their thirty-five year period?—A. The question has never been raised so far as I know.

The CHAIRMAN: Thank you very much, Mr. Ronson.

The witness retired.

The CHAIRMAN: Now, gentlemen, there are, I suggest, certain questions that arise out of what Mr. McIntyre and Mr. Ronson have stated that I think we might well inquire into as one of our specific heads of inquiry. I suggest for example that this committee might well make a study of the following subjects. For example, the subject of pay and allowances of army, naval and air force personnel who are serving on headquarters staffs in Ottawa and elsewhere in Canada, particularly with regard to the subject of dependants' allowances might well be studied. I think we might well study the question that has been referred to this morning of civil servants who obtain leave and who serve in the military, naval or air force services on headquarters staffs within Canada in an administrative or clerical capacity.

Then I suggest that we might well consider the question as to whether economies can be effected without endangering the efficiency of the service by using civilians in army, navy and air force headquarters within Canada for clerical and other services of a civilian nature in the place of members of the forces. We might also inquire into the subject of special pays and special allowances such as flying pay for the administrative officers of the air force at headquarters in Ottawa and elsewhere in Canada. These, I suggest, are specific subjects for inquiry by the committee. I make these suggestions because representations have been made that these and other related matters should be studied by this committee. Certain returns have been asked for in the house with regard to some of these matters and reference has been made to a number of them in the house.

The questions that I raise for your consideration are exceedingly difficult and complicated questions; it has also been suggested to-day that it is essential that the basic information should be obtained before we are in a position to study these questions. It has been suggested that the proper way to obtain the basic information is by the submission of questionnaires to the appropriate officers so that the information can be obtained from the answers to the questionnaires.

If it is the desire of the committee that we should explore these matters that I have referred to I would suggest that perhaps I might be authorized to draft the necessary questionnaires and send these questionnaires to the appropriate officers of the various departments concerned before we adjourn for the Easter recess so that the departments may be working on the questionnaires and have the information ready for us when we return at the end of April.

I should like to suggest these topics, and if it is approved that we should study these topics, I would suggest that perhaps I should be authorized to draft and submit the necessary questionnaires.

Mr. GOLDING: I think your suggestion is a good one, Mr. Chairman, and if there is a motion required to authorize you to do that I would move to that effect.

Mr. GRAHAM: I will second it.

Mr. BRADETTE: Before it is passed may I ask if it would be possible for the members of the committee to be seized of the contents of the questionnaires before the Easter recess?

The CHAIRMAN: I think we can do that.

Mr. BRADETTE: Personally I would be satisfied with whatever you did on that score, but perhaps the committee would be of the opinion that they would like to know the contents of the questionnaires.

Mr. GRAY: That is asking quite a bit of the Chairman.

Mr. BRADETTE: I know, but it is part of the responsibility of the position.

Mr. CLEAVER: I wonder if this suggestion would meet with Mr. Bradette's approval. How would it be if we carried the motion on the understanding that any member of the committee who has any suggestions to make as to the contents of the questionnaires should communicate his suggestions direct to the chairman. It would hardly be worth while calling a special meeting of this committee to check on the questionnaires.

Mr. BRADETTE: It is not a question of checking. What I had in mind was something along this line: the members of the committee could satisfy themselves as to what the questions imply that appear in the questionnaires.

Mr. GRAY: Could we not do it this way? After we return if any member has a question that he would like to add it could be done.

The CHAIRMAN: It is my experience that it is absolutely impossible to draft a complete set of questionnaires in advance. The drafting and the submitting of one questionnaire will produce certain answers. The answers will result in the submission of further questionnaires arising from answers to the questionnaires and the draft of the questionnaire has to be done with a good deal of care. It is not an easy matter because of the intricacies of the questions involved.

Mr. GRAHAM: I think we are ready for the motion, Mr. Chairman.

The CHAIRMAN: It has been moved by Mr. Golding and seconded by Mr. Graham that I should be authorized to draft and submit the necessary questionnaires on the topics that I have outlined to you.

Mr. BRADETTE: With every member having the right to examine the questionnaires?

The CHAIRMAN: That is the motion. Before I put the motion I should like to say I would welcome any suggestions from any member of the committee as to what should be included in the questionnaires.

Mr. BLACK: We would be in a better position to make suggestions if we saw the basis on which your questionnaires were drafted. If we had that information we could then make intelligent suggestions. It seems to me your suggestions should be available to the committee after they are drafted.

The CHAIRMAN: If members of the committee would like we could call a short meeting of the committee on Tuesday or Wednesday to satisfy the members of the committee that the questionnaires are in order, and then any member of the committee can make suggestions as to additions or amendments to the questionnaires. Perhaps that would be a wise thing to do.

Mr. BRADETTE: It will not be a question of the questionnaires not being in order. We know they will be in order, but it may so happen that we may require certain information and your questionnaires might not cover that.

The CHAIRMAN: Suppose we call a short meeting on Wednesday morning for the purpose of approving of the questionnaires. I shall try to have in your hands drafts of the questionnaires before that.

Mr. BLACK: Would that draft be in our hands prior to the meeting?

The CHAIRMAN: I shall try to have it in your hands prior to the meeting. With that understanding Mr. Golding moves and Mr. Graham seconds that I be authorized to draft the appropriate questionnaires with a view to submitting them to the appropriate officers, but that before I do so I shall submit them to the committee for approval and comment next Wednesday.

Motion agreed to.

Mr. GLADSTONE: In addition to that, Mr. Chairman, I think it is important that we have as clear a picture of the set-up of the organizations as possible. I was just wondering if charts could be prepared of the set-up of the army, navy and air forces to indicate to us a list of the officers and ranks, etc., in the army, to give us an idea of the set-up of the military organizations.

The CHAIRMAN: The questionnaires will be drafted in such a way as to give us that information in so far as it relates to the points I suggested. Later on charts of the kind that you suggest could be prepared if they were required.

Mr. GLADSTONE: I am not familiar with the order of ranking in the air force.

The CHAIRMAN: If you want to get that information it is contained in the pay and allowances regulations. There are three of them for each of the services, each at least an inch thick. There are also several other documents which would give you the whole set-up of the service, if you want to study them, but it would take you a month to do it. We could get the set-up of headquarters in the form of a chart, I imagine, without too much trouble.

Mr. GLADSTONE: I am not thinking of the names of particular officers at all, simply the rank.

The CHAIRMAN: That could be obtained if it were required, but I would suggest that it might be left in abeyance.

Mr. GRAHAM: Mr. Chairman, have you any knowledge of a like inquiry ever having been held in Canada before, or in the Old Country?

The CHAIRMAN: There have been periodic inquiries of one kind and another, but those have been largely departmental inquiries. Departmental committees have been set up to draft certain regulations. For example, a departmental committee was set up to draft regulations with regards to dependants' allowances. That committee, I believe, was set up in 1938.

Mr. GREEN: May I bring up one question? There are six members of this committee, in other words, a quarter of the committee, including myself, who are also members of the Pensions committee. For the last couple of weeks the two committees have been meeting at exactly the same time whenever they did meet. Now, it would help a great deal if arrangements could be made between yourself and the chairman of the other committee to hold these meetings at different times. Perhaps one committee could meet for one week in the afternoon and the next week in the morning, or one committee could meet from 10 till 11.30 and the other from 11.30 till 1. I spoke about it in the Pensions

committee this morning. They are agreeable to have some kind of an arrangement made along these lines.

The CHAIRMAN: I agree with you. I think we ought to try to work out some such arrangement. I think perhaps the chairman of the Pensions committee and myself will be able to work out some arrangement which will enable those members who are on both committees to attend both committees if possible. I believe we should try to work out some such arrangement.

Mr. GREEN: They are both important committees.

The CHAIRMAN: Yes. I think we can do that. Gentlemen, we have reached a certain stage in the course of our studies. The general principles have been outlined. The existing checks and controls on war expenditures have been explained to us. We have had before us the Deputy Minister of the Department of Munitions and Supply, the Comptroller of the Treasury, the Chairman and Inspector General of the United Kingdom and Canada Inspection board, the Acting Secretary of the Treasury Board. Now we are heading into specific subjects of inquiry. There are many of these subjects. I have had a number of letters from members in reply to the letter that we sent out to the members. Suggestions are coming in from other sources, and it seems to me that we must get ourselves prepared for the most efficient attack on these various questions. I could perhaps just outline some of the suggestions that have been made. I have already indicated to you a number of subjects which ought to be studied. Then there are a great many others that have been suggested. For example, it has been suggested that the committee might well study the existing contract that is in effect with civilian flying clubs; that the general subject of airport and aerodrome costs might be looked into; that we might give consideration to the matter of specifications and the design of air force buildings. One member suggested to me that it might be desirable to set up some means whereby the oil that is used by the air force and by the army might be salvaged and refined. Then while we have dealt with certain general inspections carried on by the United Kingdom and Canada inspection board, there are other inspections that we have not yet considered, such as the inspections of food supplies by the quartermaster-general and the officers under him. It is also suggested that the subject of hospitalization by the army and air forces could be looked into. A local situation has been brought to my attention to the effect that there has been hospital expansion although there are large existing hospital facilities of a municipal kind in that district, and also of a government agency kind.

Then the question of certain camp buildings and plants has been brought to my attention. For example, it was brought to my attention that at our western camp at Shilo it was proposed to build a special refrigeration plant although the local purchasing officer was of the opinion that the existing arrangement for the supply of ice to the camp was quite adequate.

Then a question was raised in the course of the examination of one of the witnesses as to whether full use was being made of the engineers of the Department of Public Works and other departments in connection with army engineering projects.

Then the minister raised in the house the question of training; which system of training was preferable, training in training centres or training in militia units. Then this morning a question was raised as to pensions and other allowances to officers who are in receipt of full army pay. Suggestions have been made as to whether the committee might not well look into existing catering arrangements for the army, and whether improvements could not be made in respect to some of these matters, and economies effected; the salvaging, for instance, of waste foods and supplies out of army kitchens and the like. The whole question of ordnance reforms might be looked into so we may know the extent to which reforms have been made by the Master-General of the Ordnance, and

whether other reforms are possible that would lead to economies. Another point that has been brought to our attention is the matter of certain army establishments in the way of trucks, motor cars and things like that. Then, other subjects have been raised: The whole question of ship specifications has been before the house; ship specifications and ship costs, the matter of harbour facilities, repairs and repair works in harbours. And then, in the course of Mr. Sheils' evidence reference was made to different kinds of contracts. He merely outlined these. It might be well to look into the various kinds and nature of contracts that are let by the department; the committee might wish to make a study of the whole question of capital assistance and the provision of working capital assistance. Mr. Harris raised the question, for example, as to whether the government should be, as he described it, in the banking business in connection with the financing of our big projects. The matter of war contracts depreciation has been raised; then, the subject of controllers has been raised, particularly the oil controller—that has been raised in the house and suggested to the committee. Then, there are miscellaneous subjects which have been suggested; as to whether it is possible to improve existing financial controls, the subject of exchange control has been suggested as a subject of inquiry; and Mr. MacInnis raised one day the whole subject of labour relations. Then there are specific subjects such as the Anaconda contract, the lignite coal matter at the Transcona plant, the Eastern Passage airport and a number of other individual projects.

I am just giving you some of the subjects that have been suggested to us for inquiry. The committee may wish to visit camps, works, plants. Now, it seems to me, we must make the necessary arrangements for an intensive study of these subjects to utilize the services of every member of the committee to the full capacity of every member. And I do suggest that when we come back we immediately begin to operate by way of subcommittees. I did suggest it, and suggested five subcommittees—army, navy, air force, munitions and supply, and miscellaneous. I do urge that when we get back after the Easter recess we get down to work on these various specific matters as intensively as possible, and I do suggest that the only efficient way in which we can do so is through the medium of subcommittees which might be working co-laterally, several subcommittees operating at the same time; I invite your consideration and suggestions along these lines.

Mr. MACINNIS: I take it that this is the last meeting before we adjourn for the Easter recess?

The CHAIRMAN: Yes; except, a very formal meeting on Wednesday.

Mr. MACINNIS: I think we should be very careful not to spread ourselves too wide or we will be spreading ourselves too thin. I do not think our evidence would have very much value. We should confine ourselves to specific questions, and I think the ones to be taken up should be determined by a sort of agenda committee for this committee which could work with the chairman before we reconvene after the holidays. I think the chairman and Mr. Bradette were appointed at our first or second meeting, but I do not know if that was an agenda committee or not. I think the agenda committee should be a little wider than that. The composition of this committee itself is on political lines—I am not finding any fault, Mr. Chairman—but as that is the case I think the subcommittee should be large enough to include four or five with the chairman and have them as far as possible lay out the work of the committee so that we could begin very earnestly after we come back.

The CHAIRMAN: That is, an agenda committee?

Mr. MACINNIS: Yes, an agenda committee.

The CHAIRMAN: Who would lay out the work for each meeting.

Mr. MACINNIS: Yes.

Mr. CLEAVER: If I remember correctly, Mr. Chairman, at one of the earlier meetings it was suggested that this agenda committee should be composed of yourself and our vice-chairman, and of the chairmen of the subcommittees when they had been appointed.

The CHAIRMAN: That was the procedure which was followed in Great Britain.

Mr. BRADETTE: I agree with the suggestion made by Mr. MacInnis, Mr. Chairman. I think we should have Mr. MacInnis on that committee and someone from among the Conservative members on this committee. In that way we ought to get pretty good results in working out an agenda.

The CHAIRMAN: Well now, I would like the members of the committee to indicate their preference as to which subcommittee they would like to serve on, so that as far as possible these preferences can be acted upon; and I would like to hear from members of the committee as to which committees they would like to be on. I do suggest that the work that we have in hand is so great that we ought to begin to operate by subcommittees who will be working on the individual subjects and then will bring in their reports from time to time to the main committee, and then, if the main committee is satisfied, they can accept the reports of these subcommittees and adopt them.

Mr. POTTIER: Or change them.

The CHAIRMAN: Yes, or modify them.

Mr. MARSHALL: Would it not be wise to set up the subcommittees before the recess?

The CHAIRMAN: I think perhaps it would be wise to try to do so.

Mr. MARSHALL: I think it would.

The CHAIRMAN: It might be wise to try to do so; and perhaps as we are having a business meeting on Wednesday morning in any event, we might set up our subcommittees; or, we might bring in our suggestions for these subcommittees.

Mr. GLADSTONE: Do you suggest that in the meantime each member of the committee should write to you and say what subject he is particularly interested in?

The CHAIRMAN: They could write to me, or see me, or indicate in any way they like what their particular preference may be. It may not be possible to give effect to all of them, but we will try to give effect to them as closely as we can.

Mr. CLEAVER: I would suggest that we should give one, two and three preferences.

The CHAIRMAN: That is a splendid idea, if you would be good enough to do that.

Mr. BRADETTE: I believe we should have an agenda committee and these subcommittees, but, personally, I would not like to take on myself the responsibility of forming them. I think it would be in order to appoint the agenda committee now and then it will be in a position to go right to work.

Mr. CHEVRIER: I would like to suggest that the question of the agenda committee is very important—

The CHAIRMAN: Yes.

Mr. CHEVRIER: You have outlined something of the matters they will have to consider, and I think it is a matter of such importance that it might be well left over for the next meeting which we are going to have on Wednesday.

The CHAIRMAN: Yes. Some of those subjects which I suggested almost automatically fall into certain compartments, but others do not; others are of a general nature.

Mr. POTTIER: Your idea would be that these sub-committees would sit more or less continuously, morning, noon and night.

The CHAIRMAN: The sub-committees would pursue the inquiry into subjects that were assigned to them and conclude those inquiries as rapidly as they could consistent with careful inquiry, and then report back from time to time when they were able to report.

Mr. BRADETTE: Could we adjourn now seeing that the Hon. Mr. MacDonald is to arrive at the Union station, I believe, at 1:05.

The CHAIRMAN: Yes. I would urge upon members of the committee the necessity of pursuing this inquiry by utilizing sub-committees as completely as possible.

Mr. CHEVRIER: What procedure do you wish us to adopt with reference to indicating our preference as to sub-committees?

The CHAIRMAN: You might send me a memorandum.

Mr. MACINNIS: We had better have it in writing.

The CHAIRMAN: You might send me a memorandum in regard to it.

Mr. CLEAVER: I move that the committee adjourn.

The committee adjourned at 12:45 o'clock p.m. to Wednesday, April 9th, at 11 a.m.

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War Expenditures, Special Committee
1940/41

SESSION 1940-41
HOUSE OF COMMONS

(SPECIAL COMMITTEE)

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 11

TUESDAY, APRIL 8, 1941
WEDNESDAY, APRIL 30, 1941
MONDAY, MAY 5, 1941

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

TUESDAY, April 8, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Gladstone, Golding, Green, Harris (*Danforth*), MacInnis, Marshall, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

In accordance with a Resolution adopted at the last sitting, the Chairman submitted a draft of two questionnaires one of which to be sent to the Deputy Ministers of National Defence for Army services, Naval services and Air services, and the other to all Deputy Ministers, Heads of Commissions, Boards, etc.

On motion of Mr. Cleaver,

Resolved,—That the draft questionnaire intended for the three Deputy Ministers of National Defence be approved and that the Chairman be authorized to forward same as well as any additional questionnaires he may deem necessary to send in the light of the answers received.

On motion of Mr. Sissons,

Resolved,—That the draft questionnaire intended for all Deputy Ministers and Heads of Commissions, Boards, etc., be approved and that the Chairman be authorized to forward same as well as any additional questionnaires he may deem necessary to send in the light of the answers received.

The Chairman informed the Committee that Mr. G. K. Sheils, Deputy Minister of Munitions and Supply, had signified his intention of filing additional "Instruction Letters" which would be addressed to each individual member of the Committee together with an explanatory covering letter. He suggested that these be incorporated with the other Instruction Letters already supplied in book form.

By unanimous consent, it was agreed to postpone until after the Easter recess the appointment and organization of subcommittees.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

WEDNESDAY, April 30, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Gray, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Sissons, Thorson.

The Chairman reported that he had received several replies to the questionnaires sent in accordance with the Resolutions adopted at the last sitting.

The Committee having agreed to continue its present sitting *in camera*, discussion followed respecting future proceedings of the Committee. It was finally resolved, on motion of Mr. Graham, that a subcommittee be appointed to prepare an agenda and report to the Committee.

The following members were immediately selected to constitute the said agenda subcommittee, viz: The Chairman, Mr. Thorson; the Vice-Chairman, Mr. Bradette, and Messrs. MacInnis, Marshall, Green, Macdonald, Graham and Fournier.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

MONDAY, May 5, 1941.

The Special Committee on War Expenditures met at 5 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Gladstone, Golding, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Marshall, Mayhew, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

The Chairman presented the report of the Agenda sub-committee. (See verbatim report of this day's proceedings.)

By unanimous consent, the name of Mr. Harris was substituted for that of Mr. Green on the second subcommittee listed in the report and the name of Mr. Green substituted for that of Mr. Harris on the third subcommittee.

It was also agreed that the Chairman, or in his absence the vice-chairman, be ex-officio a member of the first and second subcommittees listed in the report as hereinafter appears.

On motion of Mr. Bercovitch,

Resolved,—That the Report of the Agenda subcommittee be adopted as amended, as follows:—

The Agenda Subcommittee of the Special Committee on War Expenditures recommends:

(1) That a subcommittee be appointed to enquire into the following matters:—

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Airport, aerodrome and air force buildings construction, specifications and designs for such projects, and inspection thereof during construction;

and that such subcommittee consist of

Messrs. Cleaver, Chairman;
Black,
Diefenbaker,
Golding,

Gray,
McGeer,
Pottier;

and that the quorum be (3).

(2) That a subcommittee be appointed to enquire into the following matters:—

- (a) Medical, dental and hospitalization services in the army, navy and air force;
- (b) Food supplies for the forces, inspection thereof, catering and salvage of waste;
- (c) Army and navy buildings construction;

and that such subcommittee consist of

Messrs. Graham, Chairman;	Mayhew,
Gladstone,	Picard,
Harris,	Sissons;
Marshall,	

and that the quorum be (3).

(3) That a subcommittee be appointed to enquire into the following matters:—

- (a) Headquarters establishments and pay and allowances;
- (b) Financial controls over army, navy and air force expenditures;

and that such subcommittee consist of

Messrs. Thorson, Chairman;	Green,
Bercovitch,	Macdonald,
Bradette,	MacInnis,
Chevrier,	Ross;
Fournier,	

and that the quorum be (4).

(4) That each of the subcommittees do report their findings and recommendations to the Committee.

(5) That the Chairman, or in his absence, the vice-chairman be ex-officio a member of the first and second subcommittees above referred to.

The question as to whether the sittings of the subcommittees should be held in public or in camera was discussed.

Mr. Pottier moved:—

That the sittings of sub-committees be in camera except as the subcommittee may otherwise from time to time determine and that four (4) copies only of the proceedings and evidence in sittings in camera be made in type script, one for the Chairman of the whole committee, one for the Chairman of the subcommittee, one for the clerk of the committee and one sent to the witness for correction and return; all copies to be in the charge of the clerk of the committee when not in use.

Motion carried on the following division: Yeas, 12; Nays, 3.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 5, 1941.

The Special Committee on War Expenditures met this day at 5 o'clock p.m. The Chairman, Mr. J. T. Thorson, presided.

The CHAIRMAN: Gentlemen, shall we proceed? Last Wednesday our committee appointed an agenda subcommittee. The agenda subcommittee met on Thursday and Friday and came to an agreement that subcommittees should be appointed to inquire into various matters. You have in your hands a copy of the recommendations of the agenda subcommittee, as I understood the recommendations to be, which reads as follows:

The agenda subcommittee of the special committee on war expenditures recommends:

(1) That a subcommittee be appointed to inquire into the following matters:—

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Airport, aerodrome and air force buildings construction, specifications and designs for such projects, and inspection thereof during construction.

and that such subcommittee consist of

Messrs. Cleaver, Chairman;
Black,
Diefenbaker,
Golding,

Gray,
McGeer,
Pottier;

and that the quorum be (3).

(2) That a subcommittee be appointed to inquire into the following matters:—

- (a) Medical, dental and hospitalization services in the army, navy and air force;
- (b) Food supplies for the forces, inspection thereof, catering and salvage of waste;
- (c) Army and navy buildings construction;

and that such subcommittee consist of

Messrs. Graham, Chairman;
Gladstone,
Green,
Marshall,

Mayhew,
Picard,
Sissons;

and that the quorum be (3).

(3) That a subcommittee be appointed to inquire into the following matters:—

- (a) Headquarters establishments and pay and allowances;
- (b) Financial controls over army, navy and air force expenditures;

and that such subcommittee consist of

Messrs. Thorson, Chairman;
Abbott,
Bercovitch,
Bradette,
Chevrier,

Fournier,
Harris,
Macdonald,
MacInnis,
Ross;

and that the quorum be (4).

- (4) That each of the subcommittees do report their findings and recommendations to the committee.

Since that time I have been informed that the names of Messrs. Green and Harris should be transposed. That means that Mr. Harris will be on the second subcommittee and that Mr. Green will be on the third.

Mr. HARRIS: At that point, Mr. Chairman, may I make a brief statement in regard to the change?

The CHAIRMAN: Yes.

Mr. HARRIS: It so happens that during the last war, when I was rejected for army service, I had the privilege of being taken on what was known as a conservation commission and was at Camp Borden for some three years, Niagara on the Lake, Toronto and Long Branch, looking after the conservation of food supplies particularly and inspection thereof and I know something about it; at least, I remember something about it. Secondly, it has been my privilege to have built a hospital in Toronto, one with 166 hospital beds, and I have conducted every phase of activity as president and chairman of that hospital for the last twelve years. I therefore feel I have a knowledge of the conduct of hospitals. Mr. Green very kindly, in the circumstances, thought we might change positions.

The CHAIRMAN: Yes, quite so.

Mr. BERCOVITCH: Mr. Chairman, I think it is only fair that you as chairman and Mr. Bradette as vice-chairman, should be appointed ex officio members of these various committees.

The CHAIRMAN: We happen to be members of one committee.

Mr. BERCOVITCH: Yes, I know.

The CHAIRMAN: You mean that we should be ex officio members of the other two committees?

Mr. BERCOVITCH: Yes; and I move accordingly.

Mr. GOLDING: I second the motion.

The CHAIRMAN: Then a motion is in order that the report of the agenda committee, as I have read it, be adopted with the additions suggested by Mr. Bercovitch that the chairman and vice-chairman be ex officio members of the two first-named committees.

Mr. MACINNIS: Mr. Chairman, I know that it is customary that the chairman ex officio is a member of all committees, but I do not think it is customary that that privilege should also extend to the vice-chairman. I have no particular objection to the procedure but I do not see why we should go beyond the generally accepted practice in that regard.

Mr. GREEN: Could we not leave it as it stands? I do not think there will be any difficulty in that regard. Any time the chairman or vice-chairman wants to sit in there, I do not think there will be any trouble.

Mr. BERCOVITCH: No. But we might as well have it clear.

The CHAIRMAN: Perhaps we might meet Mr. MacInnis' suggestion by simply stating that the chairman shall be ex officio a member.

Mr. MACINNIS: And in his absence the vice-chairman.

Mr. BERCOVITCH: That will meet with my approval.

The CHAIRMAN: What is your wish, gentlemen? All in favour? Contrary, if any? Then I declare the motion carried.

Mr. HARRIS: Just so it will be on the record, I wish to add something along the same line of thought. Members of other committees than those designated here will be privileged to sit in on any special matter they might be particularly interested in, will they?

The CHAIRMAN: Oh, yes, certainly.

I might perhaps just say a word at this juncture. The agenda committee did not suggest for a moment that the subjects which have been assigned to subcommittees for study constitute a complete list of all the matters that will be enquired into by this committee. The desire of the agenda committee was, I believe, to select subjects from the point of view of priority of study and enquiry, and it was felt that the subjects that have been specified are the subjects that are perhaps first in order of priority among the many subjects that I outlined previously and which will be enquired into by the committee.

Gentlemen, there is one other matter that I suggest for the consideration of the committee.

Mr. HARRIS: Before you proceed to another item, Mr. Chairman, may I ask if these subcommittees will be provided with the benefit of *Hansard* reports for the use of their fellow members in the House of Commons?

The CHAIRMAN: I just wish to deal with that particular subject, Mr. Harris, and I am glad you brought it up. Members of the committee will perhaps recall that at an early stage of our discussions I indicated that I had caused enquiry to be made as to the manner in which the subcommittees operated in England. A reply came to the Under-Secretary of State for External Affairs, and I have a letter from the acting under-secretary in which the following appears relating to the reports of the English committee. I quote the part that is applicable:—

These reports—

That is, the reports that are made by the English committee to the house.

—are the only published records of proceedings.

Although the normal practice of select committee is to report to the house the evidence taken before them, printed in extenso with the report, it has been decided that the evidence taken by the select committee on national expenditure could not safely be reported to the house or published. Verbatim shorthand note is taken of all evidence, and a small number of copies of each note made in typescript. Normally, where a subcommittee takes the evidence from one witness, five copies of the note are made. One for the chairman of the whole committee, one for the chairman of the subcommittee, one for the clerk of the whole committee, one for the clerk of the subcommittee and one sent to the witness for correction and return.

Rules of privileges preclude any witness from retaining the transcript or making copies of it, or in any way publishing contents. Such transcript kept in very careful custody on account of their highly secret nature.

In certain cases specially secret evidence is sometimes omitted from notes by direction of the chairman to shorthand writers.

It is not expected evidence taken before national expenditures committee will ever be published, although it remains theoretically in the power of the House of Commons to order its publication.

I suggest that a somewhat similar procedure be followed in respect of the proceedings and evidence taken by the subcommittee which, of course, must report its findings and recommendation to the whole committee. I would

suggest therefore that we lay down the rule, in respect of the matter raised by Mr. Harris, that the sittings of the subcommittee be in camera and that four copies only of the proceedings and evidence be made in typescript, one for the chairman of the whole committee, one for the chairman of the subcommittee, one for the clerk of the committee and one to be sent to the witness for correction and return, all copies to be in the charge of the clerk of the committee when not in use. I suggest that we lay that rule down for the guidance of the subcommittees so that they will deal with the matter of taking evidence in the same way. I would invite a motion to that effect.

Mr. GREEN: Do you not think that is laying down too stringent a rule, Mr. Chairman? There may be many things come before the subcommittee which could properly be heard in public. On the other hand there will be some that should be heard in camera. I do not think the rule should be made definite that everything must be in camera. There should be some leeway given to the subcommittee.

Mr. HARRIS: Mr. Chairman, may I say a word dealing particularly with this second subcommittee. This is the first time I have had an opportunity of reading what their duties are. They include inquiry into medical, dental and hospitalization services in the army, navy and air force; food supplies for the forces, inspection thereof, catering and salvage of waste; army and navy buildings construction. I have sent for my notes on that particular problem, but I know pretty well the context of it.

The amount of real value that we are going to be to the country in establishing subcommittees to investigate these matters will not necessarily come from the work of the four or five men who are members of this committee, but through the press, through our fellow-members in the House of Commons and the Senate having before them the evidence of practical suggestions where economy can be practised. Public opinion will demand that these economies be put into effect. Not only that but the troops themselves, from the officer down to the private or from the private up to the officer in charge of a camp, will realize and recognize through the press, through the depositions, that are made in the subcommittee, that we are after them on this particular job and that there must be more economy.

Let me give you an example of what I mean. Take contractors who are supplying products fulfilling war contracts. They will realize that the public does not know anything about what they are doing or of any mis-adventures or malfeasance of office in the conduct of a particular contract until such time as a report comes through. You lose the immediate value of pulling up on his toes everyone who comes in contact with the war effort.

We do not want any scandalmongers with regard to the conduct of war contracts, but you saw what happened around this table at the second or third meeting past when we found that in the case of military district No. 11 cow beef was being supplied in British Columbia instead of No. 1 steer beef as called for by the specifications. Anyone who is acquainted with that line of business knows that if you take a reasonably young cow and hang it for five or six days and take No. 1 steer beef and hang it for only one day it is very difficult to tell the difference between the two carcasses. Certainly the quartermaster sergeant who received the goods, or the chef himself who may not necessarily be highly trained in the kitchen, would pass it by.

There was a clipping in the Regina newspaper of a week or ten days ago telling of a certain individual who passed out a bottle of rye whiskey to keep the staff in the kitchens in good humour. I do not know whether there was any ulterior motive in that act or not. The name of the man who passed out the whiskey was "Harris"—I think it was "Robert H. Harris" of Regina. But the point, Mr. Chairman, is that if we are to carry on in full secrecy all through this work these things will creep in again and again.

The refund made in the case of the cow beef ran into a great many dollars. Not only that but immediately it came to the surface it was corrected by the firm responsible and there has been no repetition.

In regard to hospital services, the greatest cost in the operation of a hospital is not perhaps merely looking after the patient himself or herself, it is to be found in the services that have got to be provided—x-ray service, clinical service, the pathological department, kitchen service, laundry service, power house facilities, cardiographic and dental work, as well as all the other equipment which goes into a hospital. The equipment for an ordinary one hundred and fifty bed hospital will run as high as \$150,000, but if you add \$25,000 or \$30,000 to the equipment in that hospital it will provide facilities for 300 patients.

The point I want to make, Mr. Chairman, is that throughout the whole of Canada there are scores and scores of hospitals containing 100 to 150 beds which with very little money available for expansion could double that work for one-tenth the cost of a new institution.

In addition to that, there is a feeling abroad among military men as well as the civilians of Canada that they would like to see their soldiers, airmen and all those who are serving the country in uniform given exactly the same treatment as they find in the ordinary hospitals. The very best attention can be had in the general hospitals throughout Canada, and, to set up another staff of a like nature all across Canada, is one thing to which very serious consideration should be given. It seems to me that there is a chance here for some real economy in the days to come.

My point is this: if all this is secret and not on the record, Mr. Chairman, those who know about the administration of such institutions and the press will not be able to enlighten public opinion, with the result that we will not get the benefit of the concerted effort of the entire profession across Canada nor of the public.

The next item is that of the salvage of waste. Under date of October 22, 1940, after having been asked by the Minister of Finance to come to Ottawa and give him the result of my experiences of the last war, I pointed out to him in a fairly long report where savings in different sections could be made. I will not read the whole report but it is here for any member of the committee who cares to read it. Taking just one section, the general section, on a basis of 200,000 men under arms at 50 per cent efficiency the salvage of waste equalled 100,000 men. That is an efficiency of 50 per cent. 100,000 men at \$400 per day equals \$146,000 per year.

In the next section, paper of all kinds, there was a saving of \$18,250 a year. In section 7 there was a saving of \$18,000 a year, and so on all down the line. The Minister of Finance, after some consultation with me, thought there was a chance of saving close to \$1,000,000 a year in that one line of salvage of waste alone.

Now, if this is all going to be held in secret, those who are filching from the camps to-day will carry on for the next six months or until this report finally becomes public, but if they know from day to day in detail that a certain committee charged with the responsibility of investigating Section A to-day, Section B to-morrow and Section C the next day, and so on, they will of their own accord come to a realization of their responsibilities and see that they play fair with the government with regard to salvage.

Those in the camps responsible for the salvage of waste will realize from the senior officer down to the private, who is probably handling the garbage cans, that we are trying to do a job, and they will be more careful. When they have not gas or electricity in some of the outlying camps, instead of lighting wood fires at five o'clock in the morning with butter, lard or tallow to get a quick fire in order to make breakfast for the men, they will realize that every

pound of those commodities has to be saved. If these meetings are going to be secret I am afraid, Mr. Chairman, that we are not going to be able to fulfill the purpose for which the committee was established.

The same thing applies to army and navy buildings construction.

Containers which carry the supplies of food to the camps are picked up and removed without any return being made to the government. There is an example of this in the city of Toronto to-day where crate after crate can be seen lying at Depot No. 1 at the corner of Yonge and Fleet Streets, the Commonwealth Air Training depot. They have been lying out there and deteriorating in the open since the inception of that camp. True, the loss may be small, but these packages were of real value the day the goods were uncrated from them for use over again, whereas now they are being wasted—kegs, barrels, and so on, all down the line. Not only that, but they are finding their way out of the camps without any return coming back to the government.

What applies to that applies equally with regard to scrap metals of all kinds which are cut away from cost plus contracts, and so on. When a contractor gets a contract and there is so much scrap metal left from that contract no return is made to the government. That is gravy, perhaps.

These are matters of economy, and they are matters the nation should know about through the depositions of witnesses and through the press; then committee No. 2, in my opinion, might be of some service, otherwise I am afraid the committee will not be able to perform its work as quickly as it might be able to do it.

And you do not need to worry, Mr. Chairman, about the members of your committee not permitting certain extracts to be stricken from the record at the request of the members themselves or at the request of the witnesses, because they may not be in the national interest. I do not need to read the Prime Minister's words in that regard, but he has absolute confidence in the members of the committee. I may be permitted to read what I said in the house:—

I do not see how I can go into a committee that sits in camera on a project of this magnitude.

Did we not have an example of this within the last two or three days when the Prime Minister occupied most of his time finding fault with what had leaked out of a very small committee of three or four ex-cabinet ministers? What happens in a secret committee? You know, Mr. Chairman, after all your experience in the House of Commons. It gets into the press. So let us be sensible. As you stated in your remarks in the House of Commons, "Let us treat this thing realistically." I think those were your words. Let us be realists on the job, and let us get on with the particular work at hand.

I wish, Mr. Chairman, that you would give consideration to what I have said.

The CHAIRMAN: Before I forget it, Mr. Harris, and before I comment on what you have just said, may I point out something which I think is of interest. When the charges were made with regard to the supply of cow meat instead of steer meat to one of the military districts, one of the members of the house, Mr. Joseph Lafontaine of Megantic-Frontenac, wrote me and suggested the desirability of enlisting the services of beef graders of the Department of Agriculture to assist the quartermasters in the various military districts. I thought the suggestion was of considerable merit and I passed Mr. Lafontaine's letter on to the Minister of National Defence. I have had a reply from him saying that the suggestion is being considered, and I believe that it either is going to be acted upon or is being acted upon. I should like to thank Mr. Lafontaine here for the suggestion that he made.

I am also sure that members of the committee will be very glad to see Mr. Harris serving on the subcommittee to which he has been appointed, from

the point of view of the experience that he has had in respect of the subject-matters that have been assigned to this subcommittee.

There is no gainsaying the fact that there is a good deal of merit in what Mr. Harris has just said; that is, that there is a certain value in having inquiries made in public. The matter becomes a question of efficiency of inquiry. No member of the committee is seeking to hide things from inquiry, but I think the experience of the English committee in the matter is valuable. And I think that it arose from this fact, that public officials may tend to freeze up when there is a public record of what they present to the committee. We have already had two experiences of that in respect of questions already asked. I am sure that every member of this committee is anxious to adopt the methods that will most effectively enable us to get at the facts.

There are quite a number of matters that have been assigned to the subcommittees, in respect of which I feel quite confident that we will not get the free expression of opinion in an open committee that we could get in an in camera committee. I think everyone will realize that. There are some subjects of course that are not quite in the same category. But it seems to me that the balance of efficiency of exploration is in favour of exploration by subcommittees sitting in camera. After all, the mere fact, for example, that we are assigning specific subjects to subcommittees will have quite marked effects. The subcommittees will make their findings, bring in their recommendations in the matter. These will be brought in to the whole committee, which will either adopt the report of the subcommittee or modify it as the whole committee deems advisable. The report will then be made to the house and it will become a public document. It is a matter therefore of the most efficient method of exploration; and I must say, having in mind the exploratory work that I have already done, that I have come to the view that by and large, although there is a certain merit in public inquiries, the balance is very strongly in favour of pursuing our inquiries in our subcommittees in camera so that we may have, say from government officials and other persons in the service, the freest possible expression of their views and opinions. That is my view in the matter, Mr. Harris.

There is one other matter that perhaps deserves some comment. In an inquiry of the sort that we are engaged in it is quite natural that at times there should be some impatience, some looking for results. On the other hand, I think everyone will agree that it is highly desirable that whatever work we do shall be done thoroughly. And I would suggest that the work of our committee is not to be judged by its sessions from day to day, but rather by the report that it may make after it has made full inquiries into the various matters that come before the committee.

I throw the matter open for discussion, and I should like to hear further from the members.

MR. HARRIS: May I interject one sentence before the discussion commences?

THE CHAIRMAN: Yes.

MR. HARRIS: Part of my ideas are based on the speech made by the Prime Minister in the House of Commons, and which will be found at page 1348 of *Hansard*. The speech was made when this matter was up for discussion. The Prime Minister stated, speaking about the committees and subcommittees, as follows:—

It is for similar reasons that in matters that involve the disclosure of facts, figures, as would give rise to situations which would be of aid or comfort to the enemy, it has been thought desirable to have these committees proceed in the way in which their own best judgment dictates.

Now you ask me to interest myself in subcommittee No. 2. I think you might allow us to go a little bit further and allow subcommittee No. 2 to

decide the matter in accordance with the Prime Minister's suggestion that the committees proceed in the way in which their best judgment dictates.

The CHAIRMAN: May I just say this, Mr. Harris. I would put the argument in favour of inquiries in camera not on the basis of secrecy but on the basis of efficiency and on the basis of getting the fullest and frankest expression of opinion. I think the latter ground is much more important.

Now I did indicate that the subjects assigned to the various committees did differ to some extent. Some of them, I am quite certain, are of such a nature that we can make no headway with them at all unless the inquiry was in camera. There are some subjects assigned to committees in which perhaps the same considerations do not apply to the same extent. I am quite prepared to admit that, but nevertheless on balance it is difficult to determine what course of action we should follow in respect of a particular topic, depending perhaps upon the witnesses whom we may call in respect to certain topics. Let us take as an example the subject of hospitalization. I doubt very much whether the subcommittee will get the same free expression of opinion on the subject of hospitalization services and medical services in an open sitting that it would get in respect of a sitting in camera. There is, of course, the possibility of meeting Mr. Harris part way by suggesting that each subcommittee may determine from time to time whether in respect of a certain subject matter or in respect of a certain witness it—

Mr. GREEN: That was my suggestion.

The CHAIRMAN: —it will sit in open session or in camera. I am willing that we should explore that situation.

Mr. MACINNIS: I imagine possibly members of the opposition group find themselves in a very difficult position here, much more difficult than the members from the government side—

Mr. GLADSTONE: I don't think so.

Mr. MACINNIS: I will just make my point.

The CHAIRMAN: We would like to hear from Mr. MacInnis.

Mr. MACINNIS: As I pointed out to the subcommittee the other day I want to be as tactful in this matter as I can. This committee is top heavy and that probably is no one's fault except the electors.

The CHAIRMAN: I don't admit that.

Mr. MACINNIS: And if the opposition members could be sure there were no political considerations on the majority side of the committee then they would feel more at ease. Now, I am not suggesting that there is. I feel that this committee is meeting at a time which should bring out the very best in all of us, and I was thinking that we might compromise in this matter. I would prefer that the large committee decide the procedure that would be followed in the subcommittees, if it could be done; and I was going to suggest that we do proceed in camera at the beginning and if any of the subcommittees find that this is retarding the work they are doing or trying to do that they see the chairman and let the main committee be again called together and they will again review the matter. I think the one important question here is that no specific charges have been made and we are not considering any one specific subject matter. We are making a survey of the general war expenditure with the idea in mind of making economies wherever possible, and the purpose of making these economies is far wider in my opinion than the final economies themselves. They have an effect on morale. When people see around waste and inefficiency and that sort of thing it has a very bad influence on the general morale. So I think that we could decide that we would let the subcommittees undertake their work in camera at first, and then if we find after a few days or a few meetings of the subcommittees that we are not getting

along and that that is not the best way, the chairman of any subcommittee could come back and ask for a reconvening of the main committee and discuss the matter again. I think we should give the proposal made by the chairman a chance to work; because, besides that, there will be an enormous amount of labour involved in taking the minutes and in the printing of them. I am doubtful if we are entitled to undertake that when we are asking for economies.

Some Hon. MEMBERS: Hear, hear.

Mr. GREEN: It will be taken anyway and transcribed.

Mr. MACINNIS: But not in just the same way. If you are going to have the press, and if you are going to have a printed report of everything that is said at the committee then that will have to go to the printing bureau. You will have your secretary, and I would imagine you would take the questions and the answers. I do not see very much object in taking the argument which any member of the committee might put forward.

The CHAIRMAN: No, I do not think so.

Mr. MACINNIS: It would not have very much bearing on the matter under discussion. I am not suggesting that that is all that will be done; that will be for the committee to decide.

Mr. ROSS: There would not be much in the in-camera committee, it would be merely a percentage of what it would be in the proceedings of the full committee.

Mr. MACINNIS: But there would be a staff typing copy for the reporters. The reporter would be here taking notes and then he would go upstairs and his transcript would be typed; and then if you were going to have it printed it goes to the printing bureau where the type is set and there is all that additional work. I do not think we are justified in assuming that extra expense at a time when the purpose of the committee is to see what economies can be made.

The CHAIRMAN: What do you think of the suggestion made, Mr. Harris? I have sought, I may have failed, but I have sought to convince members of the committee that so far as I am concerned we are not witch hunting, we are not seeking to approve or disapprove finished transactions. We are concerned with exploring the possibilities of economies in our war expenditures.

Mr. HARRIS: And now, you have asked me to answer a specific question, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. HARRIS: I would say that the efficiency and the stopping of extravagance and economy which will be practical and a saving to the nation will be of much greater magnitude if the whole nation is co-operating with us and knows that we are doing a job of work than will the case be if we just have to report back to the main committee. With regard to freezing up of witnesses, Mr. Chairman, you know and I know that public spirited citizens of real consequence in this country will come forward in numbers to help you with problems such as those enunciated in section 2 rather than freezing up. We have some choice. Whereas, in the other case, we have to sit back and say we will call John Jones. John Jones may not be the man at all, John Smith might be the man. If we had free selection of voluntary service, voluntary effort, coming forward in that way, we would get somewhere and be able to do a job.

The CHAIRMAN: Why not try out the suggestion made by Mr. MacInnis? You have put your case very strongly and I think very fairly. On the other hand, we have the experience of the English committee, not only the committee that was set up in this war but also the committee that was set up in the last war. I think I could give members of the committee definite illustrations of the manner in which public officials do freeze up. I think that is only natural.

Mr. HARRIS: In Canada during the last war the conservation committee sat in public. Unfortunately the records were burned in the burning of the old parliament buildings.

The CHAIRMAN: You mean, our conservation committee; the conservation committee of our House of Commons?

Mr. HARRIS: No, it was a citizens' committee outside of the house.

The CHAIRMAN: A committee of citizens from outside the house?

Mr. HARRIS: Yes.

Mr. ROSS: Mr. Harris has given his view. He has been on many committees as has Mr. Golding, as you have yourself, Mr. Chairman, and as a number of the other members of this committee who have been in the house a long time; and I would give it as my opinion that we will get much farther and get there much faster in camera than we will get in the open on this. If we really want to get down to a serious job of work here we have got to get into camera to do it. Otherwise you are going to have all kinds of loss of time. If there is anything which subcommittees want to report back to the main committee that can be done and it can be discussed there, but we certainly will not get half the job done, or a quarter of the job done in open committee that we will get in camera sittings. That is my opinion.

The CHAIRMAN: I am sure that we are all anxious to have the assistance and co-operation of Mr. Harris, and I would urge upon him that he fall in with the suggestion made by Mr. MacInnis in this matter and that we pass this rule that I suggested leaving it open to any subcommittee that feels that that situation is not working out properly to come back to our main committee and review the matter in respect to the particular subject matter that has been stated.

Mr. GREEN: Mr. Chairman, I think it would be wiser to try out the other plan first; that is, try out the open meetings first, and if that turns out to be unsuccessful then we could arrange to have meetings in camera; but we are functioning here under a democratic system of government.

The CHAIRMAN: Quite so.

Mr. GREEN: There is only one secret committee, one committee meeting in camera, this session, and the same last session, and that is the committee on the Defence of Canada regulations; and you see the result, they just disappear; in fact, nothing is heard from them from the beginning of the session to the end. And I think in many ways that greatly handicaps the work. Now, here, the situation in Canada is greatly different from the situation in England. They are in the front line, we are not. We are not under attack. And it does seem to me that there is only one exception, and that is where any information that comes out before one of these subcommittees may be of benefit to the enemy and that could only be known by the subcommittee sitting at the time; and we are not a committee to probe charges of fraud—I think you have made that perfectly clear yourself, Mr. Chairman.

The CHAIRMAN: I intended to touch on that a little later and make that particular point clear.

Mr. GREEN: And we are not a public accounts committee in any sense. We are a committee to check waste.

Mr. HARRIS: Hear, hear.

Mr. GREEN: We are here to look at the whole picture. We are here as twenty-five members of parliament who are trying to work together.

The CHAIRMAN: Quite so.

Mr. GREEN: And our object is to check waste. I think there is a great deal in what Mr. Harris said, that we want to get the people of Canada behind us if we are going to get results from the work of these committees. And on

that question of waste, I was just reading from the nineteenth report of the British committee which is dated the 25th February, 1941. In their report they use these words:—

They have also received information from certain individuals who make allegations of a very serious character against contractors, surveyors and others in official positions in connection with militia camps. They have gone carefully into some of these allegations in so far as they involve charges of waste, but are of the opinion that an exhaustive enquiry into all the charges formulated is not a proper subject for them to pursue, nor do they consider themselves in these cases a suitable tribunal for investigating allegations that those who have brought such charges have been prejudiced thereby. They consider, however, that the charges should be further investigated.

And I think we should make it perfectly clear that our Canadian committee functions in the same way as the British committee.

The CHAIRMAN: Exactly.

Mr. GREEN: In other words, to check waste; and we are not appointed to check charges of fraud.

The CHAIRMAN: Exactly.

Mr. GOLDING: Mr. Chairman, I think Mr. MacInnis has made a very reasonable and a very sensible suggestion; and I agree with Mr. Ross that we are going to lose a lot of time in talk and we won't get the effective contributions from the people that we have here as witnesses—I am quite satisfied of that—as if we were sitting in camera. If that does not work out right, or in the sense suggested, we can try some other plan.

Mr. BLACK: In my view as a member of parliament I am in favour of having the thing open to the public, unless it is prejudicial to the war effort, something that may be held, for the purposes of the war, as being of assistance to the enemy. That is what the public expects of us. That is my view, and personally I favour approaching it from that viewpoint. And if we find matters come up that we can get better results by more frank discussion we can deal with it at that stage. But I think that our effectiveness will be largely destroyed if we approach it from the standpoint of secrecy, at the very beginning, seeking to get information withheld from the press and the public.

The CHAIRMAN: Is it not a general rule that subcommittees operate in camera?

Mr. GREEN: I do not think so; at any rate, in the case of our subcommittees we have special powers to call witnesses.

The CHAIRMAN: Yes; that is, the subcommittees have the same powers as the general committee.

Mr. GREEN: The effect of your suggestion, if it is carried out, will be to nullify entirely the Prime Minister's statement which was that only such things would be heard in camera as would help the enemy. If we have a general overriding rule that meetings must be in camera you simply throw overboard the statement he made in the house.

The CHAIRMAN: I do not put the argument in favour of in camera proceedings on the basis of secrecy. I do not think that is the strongest argument. I think the strongest argument is efficiency in getting at the real facts and the real expressions of opinion. I believe that is a much stronger ground in favour of in camera sittings than the secrecy one. Naturally we all wish to have the fullest and freest co-operation on the part of all members of the committee. I did suggest a moment ago that each subcommittee might determine from time to time in respect of particular witnesses whether it

should sit in camera. I do not wish to be arbitrary in the matter. I do put forward my viewpoint from the very considerable amount of exploratory work that I have done in mapping out the outlines of our inquiry, which was not an easy task. I am definitely of the opinion that we will get a truer expression of opinion if we sit in camera than we will if we sit in the open. After all, expressions of opinion as to how waste may be eliminated or extravagance curtailed will be the means whereby we will accomplish our objective. I have come quite definitely to that opinion, and I have come to it not on the basis of secrecy, but on the basis of efficiency in attaining our objective. I would therefore urge upon Mr. Harris that he give the suggestion made by Mr. MacInnis a trial.

Mr. BERCOVITCH: It could do no harm, anyway, Mr. Chairman if we give Mr. MacInnis' suggestion a trial.

Mr. GREEN: Why not try it the other way and have it open to the public first? Then if we find it is not going to work out, we can change it.

Mr. MACDONALD (*Halifax*): I do not think either course would do a tremendous amount of harm, because both are subject to change. Once you remove the question of giving information to the enemy, whatever course is commenced I do not think will really lead to a tremendous amount of harm.

Mr. GOLDING: After all, Mr. MacInnis made a point in reference to printing of proceedings of the subcommittee.

The CHAIRMAN: Whichever way we meet, I think we should have a limited number of copies.

Mr. GREEN: I do not think there is any particular need to have those printed, even if we do not meet in camera.

The CHAIRMAN: No. I do not think there is any difference of opinion on that. The difference of opinion now is on whether the subcommittee will sit in camera or not.

Mr. BRADETTE: From what I gathered of Mr. Harris' remarks they seemed to indicate than an in camera meeting is not a secret meeting. He was making that statement when we came in. But I have seen reports in the press about Liberal caucuses where there was not a word of truth in them. It was just imagination—a very fertile and good one in a way; but there was absolutely nothing in that report of what happened in that particular caucus. I suppose the same applies to your caucuses.

Mr. HARRIS: In the rare case.

Mr. MAYHEW: Since the start of this committee I have been of the opinion that the greatest value the committee has to the country is that it does get a little publicity and that the country as a whole know that there is a committee investigating these expenditures; and I am somewhat in favour of what Mr. Harris says. But at the same time I see some dangers in it. There is the danger of giving information that should not come out and also the fact that this committee will probably be sitting for only about three months of the year in which there will be any publicity given to it at all; then for about nine months of the year these people that Mr. Harris says might curtail their activities of giving gin where it should not be given and cow beef where steer beef should be given will carry on when they know we are not sitting, so its benefits are only temporary. Yet, I should like to see some publicity given to what we are doing. I think the best plan would be to let each committee decide for itself as to whether they should sit in camera or not.

Mr. GLADSTONE: Mr. Chairman, I think some latitude should be given to the sub-committee, in conference with yourself as chairman, as to whether or not meetings should be open or in camera. Mr. Harris has made a very fine

statement to-day as to the scope of the probable investigations by committee number 2, and I am sure that he would be a very valuable help on that committee due to the wide experience he has had. I do not know that the point of giving information to the enemy covers the whole desirability of having meetings in camera. I am thinking, for instance, of the injury that may be caused to certain persons who may come to give evidence. For instance, a junior in a department may even be called and the evidence given may be damaging to somebody higher up. If that junior gives that evidence he is probably simply jeopardizing his own position. Then take another situation. A contract for a certain line of goods is under suspicion. We decide to investigate that. It is investigated very thoroughly and we find the suspicion unwarranted. An injury has been done to the company concerned. I now have in mind a particular line of goods which I desire to have investigated. I am sure no member of this committee has the faintest idea of what that might be. I will never bring it up unless I feel that it can be investigated in such a way that injury will not be caused to the company should this suspicion turn out to be ungrounded. I should like to see this handled so that if it is desirable to hold a meeting in public—and possibly in certain cases in connection with committee number 2 it may be desirable—then the subcommittee would, in conference with the chairman, have the right to hold an open meeting pertaining to a subject upon which they considered it desirable to have publicity in the interests of immediate curtailment of some wrong practice.

Mr. CHEVRIER: Mr. Chairman, it strikes me that the question of deciding whether you are going to have meetings in camera should be decided now and not left to the subcommittees. My reason for saying that is this. That question has been threshed out on several different occasions already—first in the House of Commons at some length, next here when we first met, and thirdly, to-day. If you leave it to the subcommittees and ask them to decide it there will be further discussion which will again last for some time. It seems to me that it is a matter for the general committee to decide whether the subcommittees will sit in camera and not for the subcommittees to decide themselves. That is my view of it.

Mr. MARSHALL: Mr. Chairman, I am of the opinion that this matter should be left entirely in the hands of the subcommittee.

Mr. POTTIER: Mr. Chairman, I understand Mr. Harris' argument to be that only in one case would we get benefit particularly by having open meetings, and that is to seek the co-operation of the public to prevent certain things happening.

The CHAIRMAN: There is some merit in that.

Mr. POTTIER: That is Mr. Harris' main argument. Why could this committee to-day not pass a resolution authorizing the subcommittees to sit in camera with power to hold open meetings whenever they think a useful purpose can be served by so doing?

Mr. MARSHALL: That is tantamount to giving power to the subcommittee.

Mr. POTTIER: Exactly.

Mr. MARSHALL: Then why not give the subcommittee power now?

The CHAIRMAN: How would this phraseology meet that situation; "that the sittings of subcommittees be in camera except as the subcommittee may otherwise from time to time determine"? And then continue as I outlined originally.

Mr. POTTIER: I will make that motion, Mr. Chairman.

The CHAIRMAN: The motion will read as follows:—

That the sittings of subcommittees be in camera except as the subcommittee may otherwise from time to time determine, and that four copies only of the proceedings and evidence be made in typed script—one

for the chairman of the whole committee, one for the chairman of the subcommittee, one for the clerk of the committee and one sent to the witness for correction and returned, all copies to be in charge of the clerk of the committee when not in use.

Mr. GREEN: Would you not be willing to make that read:

That the meetings of the subcommittee be in camera or otherwise as the subcommittee may determine?

The CHAIRMAN: That is what I have said.

Mr. GREEN: "In camera or otherwise"; in other words, leave it to the subcommittees.

The CHAIRMAN: Does that not meet the situation?

Mr. GREEN: That makes it that they really must be in camera.

The CHAIRMAN: In camera unless the committee otherwise determines.

Mr. GREEN: I suggest that it is not fair to put that restriction on the subcommittee. One subcommittee may meet all the time in public; another may never meet in public.

The CHAIRMAN: Is not what I have read a pretty close approximation?

Mr. GREEN: You have loaded the dice there in deciding that all meetings be in camera.

The CHAIRMAN: I should not say "loaded the dice." We are not playing with dice.

Mr. GREEN: Perhaps I should have used some other phrase, but that is what is being done, and that is what will be done by that motion.

The CHAIRMAN: Does that not meet the situation? I think that that might meet Mr. Harris' view or go a long distance towards meeting it, because he may want to call a particular person and have that meeting held in the open and may persuade the subcommittee that that should be done. Now, does that not come fairly close? Will you accept that, Mr. Harris?

Mr. HARRIS: There is no seconder to the motion yet, so perhaps we may discuss it. I notice, Mr. Chairman, that you have added a lot of other matters to this one motion with regard to striking four copies of evidence and that they shall be handled in such and such a way, and so on. There are only seven members on a committee and the Prime Minister has stated that he has the utmost confidence in the integrity of all members of the committee. Why cannot each member of the committee have a copy? You can make seven copies at a time on this paper, and they can be returned to the custody of the clerk of the committee. I can see behind this; it is the same idea of complete secrecy.

We have your earlier deposition, Mr. Chairman, when you stated that the chairman of the committee in his wisdom could have the shorthand reporter delete or not take down certain evidence, and that the chairman could ask the press for the same consideration. They will always give it to you. This could be done when in the opinion of the committee it was not desirable to have certain evidence printed. If the chairman and the members of this committee are sincere in their job they will see to it that nothing goes into the record that would be of any comfort to the enemy. Surely the chairman should be able to exercise some discretion. And we are quite safe in the hands of the sub-chairmen. These are men who have had a great deal of experience, and they would receive the copy first and material of this sort could be deleted. I do not see the necessity of all that long appendix that you have added to the suggested motion, Mr. Chairman.

The CHAIRMAN: I think perhaps it is desirable. The reason that suggestion is made is that when the meeting is in camera the number of copies

of type script should be very limited. In England, they limited it to the smallest possible number. They had five in the English committee. The reason they had five was that each subcommittee had a clerk. The reason I suggest four is that each subcommittee will not have a clerk; otherwise I am following exactly the rule laid down by the English committee. I think it will be agreed that where the proceedings are in camera the number of copies should be limited to a minimum. I do not think there can be any serious objection to that restriction.

Mr. HARRIS: How many copies will we have of depositions made in open meetings? It just means that the members of this committee will not have the benefit of this evidence in front of us to come to our conclusions.

The CHAIRMAN: Any member of a subcommittee will have access to the type script.

Mr. HARRIS: If you have any confidence in him at all, why not let him have a copy?

The CHAIRMAN: Not if the proceedings are in camera. I think the number of copies should be strictly limited as they have been limited in Great Britain in the light of their experience.

Mr. BERCOVITCH: Mr. Chairman, I second Mr. Pottier's motion.

Mr. MACINNIS: It seems to me there is only one valid reason for a meeting held in camera, and that is that evidence might be given that would give comfort to the enemy. If we take that position then we will have meetings in camera. If we take the position that our meetings are going to be open we must assume that no evidence will be submitted that will give comfort to the enemy, because once a statement is made here you cannot depend upon the honour or the integrity or the word of anyone. The statement has been made and a person can tell you anything and the statement goes out.

Now, then, if you are of the opinion that nothing will be said that will give comfort to the enemy let us have public meetings. You cannot have it both ways; you cannot have a semi-public meeting because there is no such thing. You have either a public meeting or you have a meeting in camera.

Mr. POTTIER: I think the greatest jeopardy in this case is the one of giving information to the enemy. Germany gets enough material of what is going on here now.

The CHAIRMAN: I do not consider that half as strong a ground personally as the other one. There is a difference of opinion on that.

Mr. GOLDING: You have a motion before the committee.

Mr. HARRIS: A motion with a lot of appendices that you put in yourself, Mr. Chairman. Will you read it again?

The CHAIRMAN: May I read it? "That the sittings of subcommittees be in camera, except as the subcommittee may otherwise from time to time determine and that four copies only of the proceedings and evidence be made in typescript, one for the chairman of the whole committee, one for the chairman of the subcommittee, one for the clerk of the committee, and one sent to the witness for correction and return, all copies to be in charge of the clerk of the committee when not in use."

Mr. GOLDING: That restriction of the number would apply only to the committees that are in camera?

The CHAIRMAN: If you want it that way, and want me to make an involved lengthy amendment for that.

Mr. MACINNIS: It takes only two words, four copies only of the meetings held in camera.

Mr. HARRIS: If you are going to put that in why not put in the number of copies for the open meeting?

The CHAIRMAN: Let us put it this way. "And that four copies only of the proceedings and evidence in sittings in camera be made in typescript," so that the restriction is applicable only to sittings in camera. Does that meet with your wishes?

Mr. GREEN: Before you put that motion may I just say that I think you are greatly handicapping the committee in its future work. You are greatly handicapping the meetings of the committee in the future if you force it through in that way.

The CHAIRMAN: Surely—

Mr. GREEN: I think the result of this will be that all meetings will be held in camera, and I think you are putting the committee under a great handicap in attacking the work it has to do.

The CHAIRMAN: Are you ready for the question?

Mr. MacINNIS: Will you meet Mr. Green's wishes by leaving it to the committee?

The CHAIRMAN: I do not wish to restrict discussion. Shall I put the motion?

Mr. HARRIS: Before you put the motion may I make this statement? I am of the opinion that the motion is not in accordance with the statement of the Prime Minister who thought it desirable that these meetings should proceed in the way in which their own best judgment dictated. My second observation is based on the Prime Minister's statement in the house that he had the utmost confidence in the members of the committee. He named the members of the committee one by one and finished up by saying he had the utmost confidence in their integrity. You are leaving the gate open for reflection on the committee, whether they sit in camera or in public, when no copies of the depositions are in their hands, and they have to go and find the clerk of the committee to ask him to read the minutes to them.

Mr. Ross: Surely the British government had the same confidence in their people and in their members.

The CHAIRMAN: The suggestion made is made in a bona fide effort to meet your wishes half way.

Mr. HARRIS: I would say the last thing in the world I want to do is to vote against anything that would be to the benefit of the war effort, but I will have to vote against this motion.

The CHAIRMAN: Are you ready for the question?

On a vote being taken the motion was declared carried.

The CHAIRMAN: There is one other statement I should like to make and that is along the lines that Mr. Green suggested. I should like to make it perfectly clear that our committee is not a public accounts committee. While it is not precluded from explaining past expenditures its purpose in doing so is to ascertain what economies in war expenditures may be possible. It is a committee for the purpose of promoting economies, as far as it can, in our war expenditures consistent with the execution of the policy decided by the government. It follows from that that it must not therefore in any way hamper or restrict the Canadian war effort but rather assist the Canadian war effort in which our people are engaged by insuring that as far as possible there shall be a dollar's worth of war effort for every dollar contributed by the Canadian people. I should like to make the essential purpose of our committee as clear as possible along those lines.

Mr. MacINNIS: When will these subcommittees meet, Mr. Chairman?

The CHAIRMAN: The subcommittees will meet at the call of the respective chairmen.

Mr. BLACK: What will be the responsibility of the committee with respect to large expenditures that have been made from which no results are being obtained, say due to delay—lack of results in production? Will we assume any responsibility for examining as to why there is not the production that ordinarily would be or should be expected?

The CHAIRMAN: The subcommittees are each now charged with specific functions; they will no doubt bring their reports in to the committee as expeditiously as possible consistent with thorough enquiry, when the report of each subcommittee will receive the careful consideration of the whole committee.

A motion to adjourn is in order.

The committee adjourned at 6:37 o'clock p.m. to meet again at the call of the Chair.

Ms. Doc.
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SESSION 1940-41

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 12

MONDAY, JUNE 2, 1941

TUESDAY, JUNE 3, 1941

WEDNESDAY, JUNE 4, 1941

FRIDAY, JUNE 13, 1941

Including

SECOND AND THIRD REPORTS TO THE HOUSE

and, in Appendix,

EVIDENCE OF SUBCOMMITTEE No. 2

May 16, 19, 21 and 29, 1941

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



ERRATUM

In the Minutes of Proceedings of May 5, 1941, page V of Vol. II, the name of Mr. Abbott should appear on the list of members of Sub-committee No. 3.

ORDERS OF REFERENCE

TUESDAY, June 10, 1941.

Ordered,—That the said Committee continue its inquiry notwithstanding the pending adjournment of the House.

Ordered,—That the said Committee be empowered to sit notwithstanding any adjournment of the House and to adjourn from place to place; to sit in camera or otherwise as it may from time to time determine; to determine the manner and extent to which the evidence and proceedings should be printed or typed and to employ such secretarial, clerical and other assistance as it may deem necessary.

Ordered,—That six members of the said Committee constitute a quorum during the said adjournment and that Standing Order 65(3) be suspended in relation thereto.

Ordered,—That any subcommittee appointed by the said Committee have power to sit notwithstanding any adjournment of the House and to adjourn from place to place.

Ordered,—That the minutes of proceedings and evidence of such meetings of the subcommittee appointed to inquire into medical, dental and hospitalization services in the Army, Navy and Air Force; food supplies for the forces, inspection thereof, catering and salvage of waste; army and navy buildings, construction, referred to in the said Committee's second report (and known as subcommittee No. 2) as were not held in camera, be printed, 500 copies in English and 200 copies in French, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, June 13, 1941.

Ordered, That the name of Mr. Hansell be substituted for that of Mr. Marshall on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

SATURDAY, June 14, 1941.

Ordered, That the name of Messrs. Coldwell, Reid, O'Neill and McIlraith be substituted for those of Messrs. MacInnis, Mayhew, McGeer and Gray on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

SECOND REPORT

Wednesday, June 4, 1941.

The Special Committee on War Expenditures begs leave to present the following as its

SECOND REPORT

Your Committee was appointed by Order of the House on March 5, 1941, to examine the expenditure defrayed out of moneys provided by parliament for the defence services, and other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein.

Your Committee met for organization purposes on March 12th and has held 19 sessions of the main committee and 34 sessions of its subcommittees.

Your Committee has examined 8 witnesses before the main committee and 27 before its subcommittees.

Your Committee commenced its inquiries in open sessions, with a general review of the manner in which the Department of Munitions and Supply functions as a central purchasing agency for the three departments of National Defence, army, navy and air, from the time it receives a requisition or contract demand from one of such departments until such requisition is filled, of the various types of contracts which are entered into by the department and the bases upon which such contracts are let, of the various checks and controls in the matter of cost accounting that are exercised, of the manner in which the purchasing organization within the department is set up and functions and a general exploration of the existing checks, controls, car and supervision in the matter of procuring necessary munitions and supplies.

Your committee next made a general review of the subjects of inspection of and payment for munitions and supplies. The object of inspection of munitions and supplies is to ensure that the goods supplied are fit for His Majesty's service. It is essential therefore that this function should be performed by persons independent of either of the contracting parties. This function of independent inspection is now, subject to certain exceptions, performed by the Inspection Board of the United Kingdom and Canada which now co-ordinates the activities of the inspection services of His Majesty's government in the United Kingdom and those of the government of Canada with respect to the production, manufacture and assembly of munitions and supplies in Canada and the United States. Your Committee was informed by the Chairman and Inspector General of the Inspection Board that the articles sent from Canada to the United Kingdom for war purposes were most satisfactory, and that his officers had run across only one case of dishonest practice in the whole of his inspection experience with Canadian manufacturers.

Finally your Committee had the benefit of a general statement as to the controls exercised by the Comptroller of the Treasury and of the Treasury Board in the matter of war expenditures.

Your Committee greatly appreciates the assistance given by the officials who appeared before it in this necessary introductory review, for as the inquiry developed along these general lines specific subjects of inquiry outlined themselves and the fields of exploration of possible economies in the matter of

war expenditures became more clearly defined. A statement of the specific heads of inquiry requiring the attention of the committee is to be found on pp. 218-222 of the evidence which is transmitted with this report. In the opinion of the committee these subjects require careful study.

At the last meeting of your Committee before the Easter recess, on April 8, 1941, the chairman was authorized to forward certain questionnaires to the three deputy ministers of National Defence and to deputy ministers and heads of commissions, the one set relating to Headquarters establishments at Ottawa and military districts, naval dockyards and air commands throughout Canada, and the other to civil servants who had obtained leave to enlist with the armed forces, with a request that replies be made by the time Parliament re-assembled.

When your Committee re-assembled on April 30, 1941, after the Easter recess, it seemed clear that it would be necessary for the committee to appoint subcommittees to inquire into specific matters. An agenda committee, representative of all parties, was appointed to prepare an agenda and report to the main committee. On May 5, 1941, the report of the agenda committee recommending the appointment of three subcommittees to inquire into specific matters was unanimously adopted as follows:

The Agenda Subcommittee of the Special Committee on War Expenditures recommends:

- (1) That a subcommittee be appointed to inquire into the following matters:—
 - (a) Contracts with civilian flying clubs, associations or companies;
 - (b) Airport, aerodrome and air force buildings construction, specifications and designs for such projects, and inspection thereof during construction;
 and that such subcommittee consist of Messrs. Cleaver (Chairman), Black, Diefenbaker, Golding, Gray, McGeer, Pottier;
 and that the quorum be (3).
- (2) That a subcommittee be appointed to inquire into the following matters:—
 - (a) Medical, dental and hospitalization services in the army, navy and air force;
 - (b) Food supplies for the forces, inspection thereof, catering and salvage of waste;
 - (c) Army and navy buildings construction;
 and that such subcommittee consist of Messrs. Graham (Chairman), Gladstone, Harris, Marshall, Mayhew, Picard, Sissons;
 and that the quorum be (3).
- (3) That a subcommittee be appointed to inquire into the following matters:—
 - (a) Headquarters establishments and pay allowances;
 - (b) Financial controls over army, navy and air force expenditures;
 and that such subcommittee consist of Messrs. Thorson (Chairman), Abbott, Bercovitch, Bradette, Chevrier, Fournier, Green, Macdonald, MacInnis, Ross;
 and that the quorum be (4).
- (4) That each of the subcommittees do report their findings and recommendations to the Committee;
- (5) That the Chairman, or in his absence the vice-chairman, be ex-officio a member of the first and second subcommittees above referred to

On the same date your committee resolved that the sittings of its subcommittee be in camera except as the subcommittee may otherwise from time to time determine. It was the opinion of your committee that its members would obtain a freer expression of opinion from persons appearing before the subcommittee if the sittings were held in camera than if they were open sittings. Your committee was not, however, unanimous in this decision, the motion carrying on the following division: Yeas, 12; Nays, 3.

Since the said date the activities of your committee have been carried out by the said subcommittees which have all made their reports to the main committee.

The report of subcommittee No. 1 as amended by the committee was adopted on the following division—Yeas 14, Nays 2, as follows:

REPORT OF SUBCOMMITTEE No. 1 AS AMENDED

This subcommittee was appointed on May 5th, 1941 to inquire into the following matters:—

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Airports, aerodromes and air force building construction, specifications and designs for such projects and inspection thereof during construction.

The subcommittee begs to give an interim report of their findings and recommendations to the special committee.

1. The subcommittee immediately upon appointment proceeded to examine the expenditures defrayed out of moneys provided by parliament for the services named, holding twelve meetings and examining officials of the Department of National Defence for Air, Department of Munitions and Supply and Department of Transport, members and officials of companies in charge of elementary training schools and air observer schools, besides visiting one aerodrome.

CONTRACTS WITH CIVILIAN FLYING CLUBS, ASSOCIATIONS OR COMPANIES

2. The subcommittee found that under the British Commonwealth Air Training Plan there are two types of flying training schools operated by civilian companies, namely, the elementary flying training schools and the air observer schools. The plan called for twenty-six elementary flying training schools and ten air observer schools. There are at this date in operation eighteen elementary flying training schools (of which one is a double school) and seven air observer schools. A study was made with respect to contracts entered into with civilian companies specially incorporated for the purpose of operating elementary flying training schools as complete as was possible in the time at our disposal, but our work in this regard is not fully completed.

ELEMENTARY FLYING TRAINING SCHOOLS

3. All elementary flying training schools (with only one exception, being the school at Cap de la Madeleine) are operated by companies especially incorporated for the purpose and sponsored by existing flying clubs. The subcommittee has been informed that these companies are organized on a non-profit sharing basis as to all common stock and that their preferred stock, which is limited to \$35,000, is restricted to a 5 per

cent dividend annually. The practice has been for public spirited citizens, service clubs and municipal bodies, to raise the \$35,000 required, and in some instances the money has been made available for this purpose without interest. The intention of the plan is that after payment of 5 per cent on \$35,000 of preferred stock all profits which accrue from the operation of the elementary flying training schools will be the property of the flying clubs to enable them to sponsor civilian flying and generally to give leadership to civilian aviation after the war.

4. In the short time at its disposal the subcommittee has not been able to check the capital set-up of each of the individual elementary flying training companies, and recommends that this should be carefully done.

5. Under the form of agreement between the operating companies and the Crown the latter provides buildings, aerodromes and all necessary equipment including aeroplanes and recompenses the company for their services under four heads, namely, management, operation and maintenance, flying hour costs and messing costs. Of these, management and messing costs are fixed, while operation and maintenance and flying hour costs are adjustable each 24 weeks, based upon experience. The flying hour costs include an estimated cost of gasoline and oil, plus 50 cents per flying hour as a reserve against crashes and plus 50 cents per flying hour profit to the company. Every 24 weeks the contract price of gas and oil as fixed by the contract is revised in the light of actual cost. The company is required to maintain the properties and equipment in a manner satisfactory to the Minister of National Defence for Air and to carry out training pursuant to a syllabus of training indicated by the R.C.A.F.

6. The sources of profit to the operating companies are in savings in the management allowance, 50 cents per flying hour, and 25 per cent of any residue that may exist in operation and maintenance and in allowance for flying hours (gas and oil) at the expiry of the contract. Crash reserve residue reverts to the Crown. The operating companies have voluntarily surrendered 50 per cent of the flying hour profits as from the time the intake of pupils was increased from 48 to 70. Increased intake of pupils naturally tends towards increased flying hours and an appreciable decrease in overhead costs per flying hour. The monthly profits of the said companies range from \$318.32 to \$942.54. The subcommittee recommends that there should be a reasonable limitation placed on the amount of profits which can accrue to flying clubs. We recommend that profit of these companies should be further carefully studied.

7. The subcommittee appreciate this commendable attitude, on the part of the flying club school sponsoring the operating company's school, and recommends that the contracts be adjusted accordingly and that any further contracts entered into fix the flying hour profit at 25 cents as soon as the intake of the school reaches 70 pupils.

8. It is found that there is a check on the expenditures of all public moneys and in regard to the maintenance of all public properties. At the close of each four weeks a detailed statement or return, on forms provided, is made to the Department of National Defence for Air, of all expenditures, attached to which is a report of the company's auditors certifying in proper form both the statement submitted and the company's books for the period, and, in addition to this, a regular inspection is made by the financial adviser to the department.

9. The subcommittee finds that in no case is any disbursement of profit made over and above 5 per cent per annum of subscribed capital and that any surplus funds possessed at any time by any of the operating

companies are held in special reserve accounts and are voluntarily invested in Dominion of Canada bonds, usually of the non-interest bearing type. We recommend that the contracts be amended to provide for this practice.

10. The Training Command of the R.C.A.F. express their complete satisfaction in the training results of the Elementary Flying Training Schools and the Air Observer Schools operated by civilian companies, and they stated any attempt to place the responsibility of this type of training upon schools operated by the service would place "an intolerable burden on the service", in which statement the committee concurs. The committee recommends that we should continue to take advantage of the services of these civilian flying companies, and that the services rendered by them be extended to their full capacity.

11. The subcommittee finds that the estimated cost of operating the Elementary Flying Training Schools based on a target price was \$982.31 per pupil, while the actual cost to the Crown as of 31st March, 1941, was \$864.35 per pupil.

AIR OBSERVER SCHOOLS

12. The subcommittee has not completed its inquiry as to operation costs and profits with respect to Air Observers Schools. A conference has been called of executive officers of all of these schools to discuss operating costs and profits and the subcommittee is not prepared to make any report in regard to these schools until its inquiry in this regard is completed.

AIRPORT, AERODROME AND AIR FORCE BUILDING, ETC.

13. The subcommittee has opened its inquiry in regard to the procedure for the acquiring of airport sites and in regard to the airport construction projects for training purposes, but is not ready to report in this regard.

FINDINGS AND RECOMMENDATIONS

The scope of our inquiry to date does not permit of any findings or recommendations other than above noted, and indicates the need for further inquiry.

The report of Subcommittee No. 2, as amended by the committee, was adopted as follows:—

REPORT OF SUBCOMMITTEE No. 2, AS AMENDED

The following subjects of inquiry were assigned to this subcommittee:—

- (a) Medical, dental and hospitalization services in the Army, Navy and Air Force;
- (b) Food supplies for the Forces, Inspection thereof, Catering and Salvage of Waste;
- (c) Army and Navy buildings construction.

The subcommittee wishes to make clear that in none of the above subjects has its inquiry been completed, and as a result it does not feel itself in a position as yet to make conclusive findings or important recommendations affecting any change.

(A) *Medical, Dental and Hospitalization Services in the Army, Navy and Air Force.*—The subcommittee was not able to open up this particular branch of its inquiry other than to have a preliminary discussion through its chairman with the Director General of Medical Services for the Army.

(C) *Army and Navy Buildings Construction.*—The subcommittee was not able to pursue its inquiry into the above subject other than to have the Quartermaster-General give to the committee an outline of the part which his branch of the Department of National Defence performs in this respect.

(B) *Food Supplies for the Forces, Inspection Thereof, Catering and Salvage of Waste.*—The work of the subcommittee was chiefly concerned with the above subject.

The plan of inquiry was to secure from the proper departmental officials the system of operation and control in regard to these matters and to inquire as to how these departmental rules and regulations were being applied and carried out in military establishments in or adjacent to Ottawa.

(1) *The provision, receipting, custody, issue and accounting for supplies*

The Quartermaster-General is responsible for the rationing of the Army and Air Force in Canada.

The present ration list is largely the result of recommendations made by a committee of expert advisers on nutrition, dietetics, hygiene, household science, agriculture, etc., under the National Research Council.

Specifications of each item have been carefully prepared in the Quartermaster-General branch and these are furnished to each firm or individual invited to tender.

R.C.A.S.C. Supply Depots are established at various centres throughout Canada where the localization of units make this advisable.

The officers in charge of supplies at these depots make their demands on contractors in accordance with their immediate requirements. Each food contract provides for this privilege in delivery.

Each Depot is responsible for the inspection of the foodstuffs furnished as to quality and quantity, the receipting for same, the custody of these while in the Depot, the issue to units being served by the Depot and the keeping of an accurate record of receipts and outgoings. Frequent inventories are made not only by the officers in charge of the Depot but by officers of the Store Audits Branch.

The subcommittee was informed that in portions of Ontario and Quebec the meat to be furnished our armed forces is inspected in the meat supply houses during the ordinary carrying out of their duties by Inspectors of the Department of Agriculture and that these carcasses approved as meeting the requirements of the specifications of the Department of National Defence are stamped with "D.N.D." to indicate inspection and approval. This practice is of recent origin.

The subcommittee noted subsequently that this is being done at the Supply Depot in Petawawa camp and believe it is a wise economy as it will result in the inspection being more thorough and obviate the necessity and expense of these inspectors visiting the Depots for this purpose. The Quartermaster-General informed the subcommittee that consideration is being given to the extension of this practice throughout Canada.

Underdrawn rations remain the property of the public while overdrawn rations are paid for quarterly by the unit so overdrawing.

Certain inspections and checks are made to guard against waste or pilferage in the units being issued the rations, but this subcommittee has not yet made sufficient investigation to certify as to their adequacy.

(2) *Catering and Messing*

Since the outbreak of the war a Chief Inspector of Catering and Messing has been appointed working under the Director of Supplies and Transport. The work of this nature rapidly increased with the result that in each military district a district catering and messing officer has been appointed.

One decided improvement was noted by the subcommittee at Petawawa. The "orderly" system of messing is used there and in the opinion of the committee is a marked improvement over the "cafeteria" method. It permits of a much more inviting service of food and should assist in minimizing food waste from the tables.

The subcommittee understands that this method is used in most of the Army Camps throughout Canada but has not yet been adopted, generally, in the Air Force. If this is correct your subcommittee would recommend the use of the "orderly" system wherever possible.

Schools for cooking have been established at Camp Borden and Red Deer, Alberta. No attempt has as yet been made to create a "pool" of cooks to supply units requiring these. The subcommittee believes that this is a matter of sufficient importance to "kitchen" economy as to justify further inquiry, particularly as a shortage of trained and efficient cooks is anticipated.

The subcommittee was informed that the average cost of feeding the army and air force from coast to coast was 31 cents per man per day, for the fiscal year ending March 31, 1941.

In the Great War of 1914-18 the comparative cost figure was between 25 and 40 cents and in the United States in the neighbourhood of 50 cents.

(3) *Salvage of Waste*

The subcommittee, of necessity, confined its inquiry in the above matters to salvage of food waste and containers.

It found that certain rules and regulations have been laid down for each depot and unit as to salvage of food waste and containers, and that at Lansdowne Park and Petawawa an attempt was being made to carry these out.

The matter is made difficult by the absence in certain localities of a market for certain items of salvage.

The subcommittee is of the opinion that there is not sufficient emphasis or attention being paid to the whole matter of salvage and that the subject should be further inquired into with a view to systematizing the whole method of salvage throughout Canada.

It recommends that the general committee enlarge the subject matter of inquiry under this head to include all items of salvage including food-stuffs, oil, boots and leather goods, clothing, lumber, containers and other worn-out or cast off material.

(4) *Purchase of Foodstuffs*

This is all done by the Department of Munitions and Supply and is under the direct supervision of the Chief of the Commissary Division.

Prior to the war all supplies throughout Canada were purchased through the Ottawa office. This is now changed and branch purchasing offices are established at all the main centres throughout Canada.

Through an arrangement with the two Canadian railways, the chief purchasing officers of these are used at these points. A small honorarium of \$100 a month in the larger offices and \$50 a month in the smaller is paid the railways to be divided as these see fit among the staff used for this work.

Formerly purchases were made for a period covering six months but the subcommittee was informed that it was found advisable to minimize this time period, as much as possible, and the result now is that purchase of all commodities except bread and sometimes milk is on a monthly basis.

The departmental officer appearing before the subcommittee indicated as the chief reason for this change the inclination of such large purchases to disturb the price levels of these committees.

Some discussion took place in the subcommittee as to the merits of this decision and further inquiry is necessary before reaching any conclusion.

The subcommittee was furnished with the average price paid by the government for the principal items of foodstuffs during the last six months.

It was also furnished with a list of the firms in Military District No. 3 to whom invitations to tender are being sent.

This information and the implications therefrom are obviously of great importance to this phase of the inquiry. Prices, methods of calling for tenders, sources of supply, possible combinations to control or agree upon prices are all, of course, fundamental avenues of investigation.

The subcommittee did not find it possible to develop this branch of the Inquiry and recommends that it be proceeded with in due course.

The Report of subcommittee No. 3 was adopted as follows:—

REPORT OF SUBCOMMITTEE No. 3

This subcommittee was appointed to inquire into the following matters:—

(a) Headquarters establishments and pay and allowances.

(b) Financial controls over army, navy and air force expenditures.

The subcommittee has held nineteen (19) sessions and has heard representations from each of the three services, army, navy and air.

The subcommittee has largely confined itself to the all-embracing subject of financial controls over army, navy and air force expenditures in the belief that the proper application of controls over war expenditures will result in very substantial economies without in any manner lessening the effectiveness of the war effort. The subject is one of great magnitude and importance and the committee cannot go further at this stage than to make an interim report.

The subcommittee has sought to study fundamental principles with a view to recommending certain reforms that should result in a more careful review of proposed war expenditures. While it has not been able to complete its studies as it would wish to do, there are certain basic principles which may be stated.

It is the function of Parliament to grant the sums of money that are necessary in order that the armed forces may be able to carry on the duties, which are assigned to them, as effectively as possible.

It is essential that at all stages there should be adequate and proper controls of expenditures. The minister of the defence department in respect of which sums of money are appropriated by Parliament is responsible to Parliament for the proper expenditure of such moneys. This is a civilian responsibility.

On the other hand the financial requirements of the services cannot be properly determined without the special training and knowledge of the service personnel. To that extent they must exercise functions which affect control. The subcommittee has therefore embarked upon a study of the respective functions of the civilian authority and the service authority in each arm of the defence services in the matter of financial controls with the knowledge that each has its appropriate place.

Parliament deals with the matter of war expenditures for the first time when the war appropriations bill is before it. This bill is based upon the estimates which have been approved. It is essential that such estimates should be prepared with great care, for they mark the extent to which expenditures may be made. The final approval of estimates before they are presented to Parliament is a civilian function and Council and Treasury Board are entitled to rely upon as careful a scrutiny of the estimates as possible in each defence department itself before they are submitted. This is the minister's responsibility and he must be able to rely upon the permanent branch of the department, his deputy minister and the civilian officers under him, rather than upon the service personnel (who are subject to change according to the exigencies of the service). It is therefore the opinion of the committee that the final preparation and approval of estimates before they come to the minister should be under the jurisdiction of the deputy minister. This important function, involving great and intricate detail, warrants the most careful supervision. The subcommittee believes therefore that there should be a Financial Superintendent under the jurisdiction of the deputy minister, charged with the function, among others, of gathering together, classifying and finally preparing the estimates for presentation to the deputy minister. This Financial Superintendent should be a civilian, independent of the service personnel and responsible directly to the deputy minister. It is highly desirable that he should have a sound knowledge and sympathetic understanding of the needs of the service, for the compilation of the estimates is a matter of vital concern to the service officers who are responsible for the successful operations of our army, navy and air force. The subcommittee has noted that in the organization of the war office in the United Kingdom there is a director of finance responsible to the Permanent Under-Secretary of State for War, who is charged with the general preparation of army estimates. This person is a civilian, but is usually a person who has had previous experience in the service of the army. In the preparation of the estimates it is essential that there should be the utmost co-operation between the civilian and service personnel, with a clear knowledge on the part of each of the respective functions of the other with a view to their integration towards the maximum united action. The subcommittee believes that it would be desirable that the Financial Superintendent should have his representatives working in the branches or divisions of the service in liaison and co-operation with the important service officers who are concerned with adequate estimates for the particular objectives for which they are responsible.

It should be noted, however, that the estimates as finally settled are based upon approved establishments and the incidentals of such establishments and their operations. This was the case in the main at any rate for the estimates for the present fiscal year and represents an improvement over the manner in which the estimates were prepared for the previous year.

Since the estimates presented to Parliament are based upon approved establishments as indicated, it follows that the fields of exploration of possible economies are to be found in the establishments themselves and their incidentals. These involve in the main three main factors, expressed in civilian terms, namely, persons, plant and equipment. This is not a precise or completely accurate description but it will perhaps serve for the purposes of this interim report.

These three factors are the main cost factors in an establishment and its incidentals and deserve the most careful scrutiny *before* the establishment is approved for after the establishment is approved and acted upon changes are not easy. A consideration of each of these factors opens up wide sources of enquiry as to possible economies in expenditures.

(1) *Persons*

A careful scrutiny of the personnel factors in a war establishment is therefore essential. In this regard two cardinal principles must be borne in mind. The establishment must be adequate so far as personnel is concerned for its war purposes. On the other hand personnel must not be wastefully dealt with. There are various ways in which waste may occur in the use of personnel.

Prior to the Easter recess the main committee addressed extensive questionnaires to each of the three services relating to Headquarters establishments of the army and its military districts, the navy and its dockyards and the air force and its commands. The replies to these questionnaires that have been received were carefully given and have already proved useful to the subcommittee. They have not yet been as fully studied as they should be. The replies do however indicate a need for a careful review of existing Headquarters establishments with a view to eliminating duplication of functions and accomplishing further co-ordination. The subcommittee is of the opinion that there is some duplication of functions and that further co-ordination can be accomplished with considerable economy in the matter of personnel and the expenditures connected therewith. The subcommittee is of the opinion that this subject requires further study before passing judgment in the matter.

One other personnel subject has received a considerable amount of study, namely, the use of service personnel both officers and other ranks, receiving pay and allowances according to rank, for functions of a purely routine or clerical nature, instead of civilian clerks, whose rates of pay would be in accordance with their grades as fixed by the Civil Service Commission. It has been stated to the committee that very large economies could be effected if such service personnel performing these functions of a routine and clerical nature were replaced by civilian clerks and that the efficiency of the service rendered would not be lessened. The replies to the questionnaires above referred to lend support to these statements and the subcommittee is definitely of the opinion that this subject requires most careful review by the services concerned. Two courses have been suggested—one, that trained clerks in other departments of the government service should be seconded to the defence departments for the duration of the war, and the other, that the Civil Service Commission be requested to supply the necessary civilian personnel. The extent to which this replacement is possible requires further and immediate study. It has been urged before the subcommittee that if this large economy is to be effected, it will be necessary to relax the present policy under which salary increases for civil servants are restricted for the duration of the war at least in the case of such civil servants as are loaned to or employed by the defence departments.

It is realized that it is not an easy matter to revise existing establishments downward once they have come into existence. It is therefore a matter of prime importance that all establishment proposals should be carefully reviewed in the defence department concerned *before* they come to Treasury Board and become the basis of an estimate. If economies in the matter of establishments are to be effected they should be made at the commencement rather than at a later date when the establishment has come into effect and has become difficult if not impossible of change. The subcommittee therefore strongly recommends the setting up of an establishments committee in any of the defence departments where such an institution does not already exist. Such an establishments committee should be charged with the duty of carefully reviewing all establishment proposals before they are sent to Treasury Board and become the basis of an estimate. The establishments committee should in each defence department consist of the service officers that are most familiar with the establishment requirements. In addition since an establishment proposal involves financial commitments the subcommittee is strongly of the opinion that the financial superintendent of the department or his representative should be a member of such establishments committee. This addition would in the opinion of the subcommittee constitute a very important additional financial control. The careful review of establishment proposals by such a committee consisting of the proper service personnel and a representative of the civilian authority should insure that every proposal has been thoroughly considered and that the financial commitments involved have been thoroughly appraised. The committee is of the opinion that its recommendations in this regard, if implemented and carried out in the spirit of understanding and co-operation between the civilian and service authorities, will result in very substantial economies.

(2) *Plant*

In this committee includes the construction of all buildings, camps, aerodromes, airports and other construction projects for the use of the forces. Important questions such as the revision of specifications, the full use of the engineering services of other departments of the government and adequate supervision of construction come up for careful consideration. These important questions deserve the most careful study. Again in this field there is need for the proper appreciation of the respective functions of the civilian and service authorities. Construction projects must be adequate for the performance of the necessary service duties, but there is no field in which there can be greater waste if there is not due regard for the most economical use of the nation's financial resources. In this field therefore the civilian authority must be adequately and strongly represented particularly before large construction programs are set under way. One defence department has announced the appointment of a civilian director of construction projects in connection with the large program which it has in contemplation. This step is commended by the subcommittee which believes that similar action might well be taken by any of the other defence departments that have large construction programs still before them.

(3) *Equipment*

This third factor in an establishment is closely connected with the first, namely, that of personnel. Indeed, a war establishment has been defined for the subcommittee from the army point of view as a "concise statement in tabular form giving the detailed composition of a unit of the army in personnel, weapons and mechanical transport required for the

operational role and the administration of the unit". This definition, with necessary changes for the other services, illustrates the close connection above referred to. The same careful scrutiny of the equipment factor of a war establishment as has been recommended for the personnel factor before the establishment proposal is submitted from the department, is therefore desirable.

Related to the question of equipment is that of supplies required for the use of the forces.

The procurement of construction, subject to certain exceptions, and of equipment and supplies is the function of the Department of Munitions and Supply, the operation of which has been described very clearly in a general way to the main committee by the Deputy Minister of that department. This originates in that department by what is known as a contract demand or requisition emanating from one of the defence departments. Such a contract demand does not go forward to the Department of Munitions and Supply until after a certification by the Comptroller of the Treasury that there is an unencumbered balance available for the purposes of the contract demand. The completion of the contract demand by one of the defence departments therefore constitutes a financial encumbrance upon the appropriate vote of that department.

The raising of this contract demand or requisition with its implication of financial encumbrance affords the first review in the department of a proposed expenditure of moneys against the appropriation based upon the estimates. It is important, therefore, that it should be carefully done. This duty of review is placed upon the deputy minister and must be discharged by him or some person directly responsible to him. All proposed financial encumbrances must therefore come to the deputy minister's office before the contract demand that results therefrom leaves his department. As each financial encumbrance is made it should be properly recorded, so that the department may know at all times the state of the appropriation and the balance unexpended. The Comptroller of the Treasury must of course in his treasury branch in the department keep a careful account of all commitments so that he may be able to make the necessary certification of unencumbered balance available with accuracy, but in the opinion of the subcommittee it is also necessary that the department itself should keep a record of all such commitments, for it must keep track of its own appropriations for the whole program of the department in order that if necessary the basis for supplementary estimates may be prepared in proper time. This function of recording expenditures and keeping proper commitment records should be performed in the deputy minister's branch of the department and it is the opinion of the subcommittee that this function should be assigned to the financial superintendent.

Indeed it is the view of the subcommittee that, generally speaking, all matters affecting financial expenditures should be centred in the deputy minister's office. It is not the function of the service personnel to make financial arrangements for the department. That is fundamentally a civilian function. There may of course be some exceptions to this general principle made necessary by the exigencies of the service such as pay and allowances for the armed forces in the field which are governed by financial regulations and instructions and other exceptions of a similar nature.

It should also be noted that reliable statistical records are essential as a background for adequate financial control and the future policy and program of the department. It is therefore the opinion of the subcommittee that such essential statistical records should also be under the jurisdiction of the deputy minister.

The subcommittee has given some study to the subject of local purchasing authority. While the department of munitions and supply acts as a central purchasing agent for the defence department in respect of their requirements as presented in the form of contract demands, it has been found necessary to decentralize purchasing to some extent and to delegate local purchasing authority to the defence departments themselves for certain purposes and within closely restricted limits as to amounts. Such local purchasing authority requires careful control in order that it may be properly exercised.

When supplies have been procured for any of the defence departments either as a result of central purchasing by the department of munitions and supply or under the delegated local purchasing authority the supplies become a charge of the defence department. In respect of such supplies the subcommittee has made some study of the subject of audit of service stores. Such stores represent money and it is essential that the same care should be used with regard to them as is necessary in the case of other matters involving expenditures. The reception, distribution and accounting of stores must be left in large measure as the responsibility of the service personnel, although civilian personnel in equipment depots could be used to considerable advantage. It is however essential that there should be an independent audit of such stores. This is a necessary and sound check. It cannot, in the opinion of the subcommittee, be made by service personnel who are subject to discipline, in the independent manner that is necessary to proper audit. The audit of service stores is therefore essentially a civilian function. The subcommittee is strongly of the opinion that apart from the audit that is imposed by statute on the auditor general, the audit of service stores if it is to be independent should be performed under the jurisdiction of the deputy minister.

The subcommittee has also given attention to certain other specific economies that are possible on a large scale. The expenditures of army, navy and air force on stationery, printing and advertising have reached exceedingly high levels, and serious efforts must be made by the services to reduce these expenditures. Committees have been set up in the services with this end in view. This is a step in the right direction but more remains to be done. The same remark applies to expenditures for telegrams and long-distance telephone calls, although in that respect there has been improvement. There can also, in the opinion of the subcommittee, be economies in some other matters such as transportation and freight, heating, gas and oil, and other supplies. All of these subjects deserve further exploration. The subcommittee does not at this stage feel able to state the amounts that can be saved but has no doubt that large economies are possible.

Financial controls over army, navy and air force expenditures in the hands of the civilian authorities do not involve any conception of superiority over the service personnel. Any such idea is erroneous and dangerous to the united effort that is essential. The basis is rather in the fact that the furnishing of financial resources for war purposes is a civilian responsibility of the nation at large and that there is a duty on the part of the minister of each defence department to see that the resources so furnished are used to the best possible advantage.

In the United Kingdom, as the result of long experience but after conflict of viewpoints, the respective functions of the civilian authorities in war departments, who are in control of financial matters and of the service authorities who are in charge of war operations and responsible for their success, are well understood and accepted by one another as

necessarily complementary and ancillary to one another. The subcommittee has felt that there has not yet been a similar acceptance in our defence departments of that fundamental principle, but notes that progress has been made in that direction and that action has been taken or is under consideration along some of the lines recommended by the subcommittee.

The subcommittee is strongly of the opinion that a further careful study of adequate controls of army, navy and air force expenditures should be made immediately in the belief that such controls will result in very large economies throughout the services, greater no doubt in some than in others.

It must be remembered that our forces have expanded with great rapidity and it was not to be expected that there should be the same cost consciousness during their rapid expansion as would be expected in peace times for the first prime consideration was to accomplish the expansion as rapidly as possible, but it is essential in the interests of a concerted and effective war effort that there should be the utmost use made of our financial resources in view of the strain made upon them. To that end sound controls over war expenditures at every stage are essential. These controls should be with the civilian authorities.

The subcommittee concludes its interim report with one further statement. The application of financial controls over war expenditures must not be of such a nature as to hamper or restrict our war effort but rather in aid and furtherance of it. Indeed it is in that light that the subcommittee sees the importance of proper controls. Proper controls do not lessen the effective power of our armed forces. On the contrary, they increase it, for the economic use of our financial resources makes possible greater increases in man power and the instruments of war and greater striking and defensive force.

The subject of war expenditures is an exceedingly broad one for it covers the whole field of our war effort. It has been necessary to do a great deal of preliminary exploration of the nature above referred to, but your committee now believes that the study of specific subjects of inquiry is essential and should be continued notwithstanding the impending adjournment of the House.

In the study of such specific subjects of inquiry your committee does not intend to function as a Public Accounts Committee. While it is not precluded by the terms of reference from examining past expenditures its purpose in doing so is to ascertain what economies in war expenditures may be possible. It is a committee for the purpose of promoting economies, as far as it can, in our war expenditures consistent with the execution of the policy decided by the government. In the promotion of economies it must not in any way hamper or restrict the Canadian war effort but rather assist and promote it. Your committee has therefore adopted as its objective that there shall be a dollar's worth of war effort for every dollar contributed by the Canadian people.

Your committee has been informed and believe that its inquiries have already been a stimulating factor in promoting economy reforms and that it can give further substantial assistance in that regard.

Indeed it is the opinion of your committee that it would be very regrettable if the inquiry entrusted to your committee should at this stage be wholly suspended during the impending period of adjournment of the House.

Your committee transmits herewith the minutes of the proceedings and evidence of your committee as printed by the King's Printer.

This report of your committee was carried on the following division:
Yeas, 14; Nays, 2.

All of which is respectfully submitted.

J. T. THORSON,
Chairman

THIRD REPORT

WEDNESDAY, June 4, 1941.

The Special Committee on War Expenditures begs leave to present the following as its

THIRD REPORT

Your Committee being of the opinion that the inquiry entrusted to it should be continued notwithstanding the impending adjournment of the House recommends:—

1. That the committee continue its inquiry notwithstanding such adjournment.
2. That the committee be empowered to sit notwithstanding any adjournment of the House and to adjourn from place to place; to sit in camera or otherwise as it may from time to time determine; to determine the manner and extent to which the evidence and proceedings should be printed or typed and to employ such secretarial, clerical and other assistance as it may deem necessary.
3. That six members of the committee constitute a quorum during the said adjournment and that Standing Order 65 (3) be suspended in relation thereto.
4. That any subcommittee appointed by the committee have power to sit notwithstanding any adjournment of the House and to adjourn from place to place.
5. That the minutes of proceedings and evidence of such meetings of Subcommittee No. 2, referred to in your committee's second report as were not held in camera, be printed, 500 copies in English and 200 copies in French and that Standing Order 64 be suspended in relation thereto.

This report was carried on the following division: Yeas, 15; Nays, 4.

All of which is respectfully submitted,

J. T. THORSON,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, June 2, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Mayhew, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

The Committee having been convened for the purpose of receiving the reports of the sub-committees and considering the main Committee's reports to the House, Mr. Bercovitch moved that the usual practice of meeting in camera be followed during the consideration of the said reports.

Motion carried.

Mr. Graham, Chairman of subcommittee No. 2, presented the report of the said subcommittee.

The report having been considered and amended, Mr. Graham moved that it be adopted as amended.

Motion carried.

The Committee adjourned until 8.30 p.m., this day.

EVENING SITTING

The Committee resumed at 8.30 p.m.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

Mr. Cleaver, Chairman of subcommittee No. 1, presented the report of the said subcommittee.

Mr. Green moved that the report be referred back to the subcommittee for further consideration.

The motion was negatived on the following division: Yeas, 3; Nays, 9.

The report having been further considered and amended, Mr. Cleaver moved that it be adopted as amended.

Motion carried on the following division: Yeas, 9; Nays, 3.

Mr. Thorson, Chairman of subcommittee No. 3, presented the report of the said subcommittee.

On motion of Mr. Gladstone, the report of subcommittee No. 3 was unanimously adopted.

The Chairman then presented a draft report for presentation to the House as the main Committee's second report.

It being then 11.45 p.m., the Committee adjourned its consideration of the said draft report until Tuesday, June 3, at 11 o'clock, a.m.

TUESDAY, June 3, 1941.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Mayhew, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

The Committee resumed consideration of its proposed Second Report to the House.

Following discussion, Mr. Cleaver asked that unanimous consent be given to reconsider the report of subcommittee No. 1.

Unanimous consent being given, Mr. Cleaver moved accordingly, and the motion carried.

The Report of subcommittee No. 1 was consequently reconsidered and further amended.

Mr. Cleaver moved that the report of subcommittee No. 1 as further amended, be adopted.

Motion carried on the following division: Yeas, 14; Nays, 2.

The Committee reverted to the consideration of its Second Report to the House.

The report having been considered and amended, Mr. Graham moved its adoption as amended, and with the inclusion of the reports of subcommittees Nos. 1, 2, and 3.

Motion carried on the following division: Yeas, 14; Nays, 2.

Moved by Mr. Cleaver,—That the Chairman do present the Committee's Second Report to the House.

Motion carried on division.

Mr. Mayhew moved that the Committee request permission to print the evidence heard by subcommittee No. 2 in its open sessions.

Motion carried on the following division: Yeas, 9; Nays, 2.

Mr. Fournier moved that the subcommittees appointed by the main Committee be now discharged.

Motion carried.

The Chairman submitted a proposed report to the House as the Committee's Third Report.

The said proposed report was considered until 1 o'clock, p.m., when the Committee adjourned until 4 o'clock, p.m.

AFTERNOON SITTING

The Committee resumed at 4 o'clock, p.m.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Mayhew, McGreer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

The Committee resumed consideration of its proposed Third Report to the House.

Mr. Abbott moved that the Committee appoint a subcommittee to carry on the inquiry entrusted to the Committee during the adjournment of the House, such subcommittee to consist of 17 members, and that the Conservative members be invited to name three of such members, the C.C.F. and Social Credit members one each, and the Liberal members twelve.

Motion negatived on the following division: Yeas, 9; Nays, 10.

Mr. Mayhew moved that the House be requested to authorize the whole Committee, as presently constituted, to sit during the impending adjournment of the House.

Motion carried on the following division: Yeas, 11; Nays, 2.

At six o'clock the Committee adjourned until 8.30 p.m.

EVENING SITTING

The Committee reconvened at 8.30 p.m.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Macdonald (*Halifax*), Ross (*Moose Jaw*), Sissons, Thorson.

The Chairman informed the Committee that a redraft of the proposed Third Report to the House in accordance with the Resolution adopted during the afternoon sitting was not yet available, and suggested that further consideration of the report be deferred until tomorrow.

On motion of Mr. Ross, the Committee adjourned until 4 o'clock, p.m., on Wednesday, June 4.

Wednesday, June 4, 1941.

The Special Committee on War Expenditures met this day at 12.30 o'clock, p.m. The Chairman, Mr. J. T. Thorson, presided.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, Mayhew, Picard, Pottier, Sissons, Thorson.

The CHAIRMAN: Gentlemen, we have a quorum. This meeting is called for the purpose of meeting representatives of the air observer schools. A subcommittee of our main committee was appointed for the purpose of inquiring into certain matters, one of which was the contracts with civilian flying clubs, associations or companies. That subcommittee made its report to the main committee recently and its report as amended by the main committee was adopted and incorporated in a report of the main committee that will be presented to the house.

After discussions before the main committee, the main committee was informed that representatives of the air observer schools would be in Ottawa to-day. The committee having made its report, and in one sense having concluded its functions, as such, all of the subcommittees were merged again into the main committee. There were certain subjects relating to the contracts with civilian flying clubs, associations or companies, that were not concluded, and it was understood that these subjects would be further inquired into. When members of the committee met before the commencement of this meeting they did so in an informal way, and this meeting of the main committee is called for the purposes of regularity and so that there should be a reporter present, there being no authority for a reporter except for the main committee and any special committee that still continues to function.

When the subcommittee met in discharge of its functions its meetings were held in camera. Under the rules governing the main committee, the main committee functions in open sessions unless it otherwise decides. In view of the fact that the main committee is meeting representatives of the air observer schools for the purposes of technical requirements to comply with procedure, it would appear to me, although it is for the main committee to decide, that the practice which operated with regard to the subcommittee in this particular subject ought to be continued in this meeting since it is simply carrying out some of the subjects that are still left to be studied in connection with this particular topic.

Mr. HARRIS: Mr. Chairman, you finally got around to the point, and, if I understand it, this meeting is now in camera. Is that right?

The CHAIRMAN: No, it is not in camera, but I am suggesting that since the subcommittee that was asked to carry on this work—

Mr. HARRIS: Your suggestion is now that you go into camera?

The CHAIRMAN: I am suggesting the desirability of sitting in camera.

Mr. HARRIS: I must protest against the idea of going into camera, because I do not see the necessity of it. Mr. Chairman.

We are here and these other gentlemen have come amongst us to help us with this problem; it is impossible to have a meeting in camera with this body of men here today. Whether it is wide open or in camera will be the subject of press comment, and I for one am not going to be a party responsible for breaking any confidence of any meeting held in camera; so I would be very happy if you decided that.

Mr. BERCOVITCH: Why can we not appoint the same subcommittee and have them hear the evidence?

The CHAIRMAN: We can. That is a suggestion.

Mr. BERCOVITCH: Supposing we do that.

The CHAIRMAN: We can do that. We now, being gathered together as the main committee, can reconstitute the subcommittee to continue to function until the adjournment of the house.

Mr. BERCOVITCH: I move Mr. Chairman, that the sub-committee be reconstituted—

The CHAIRMAN: To continue its studies until the adjournment of the house?

Mr. BERCOVITCH: Yes.

Mr. BLACK: Does that mean, Mr. Chairman, that our proceedings and deliberations are going to be in camera?

The CHAIRMAN: That follows automatically.

Mr. CLEAVER: That is entirely up to us as a sub-committee.

Mr. GRAHAM: I think that is a very sensible suggestion.

The CHAIRMAN: Mr. Bercovitch moves, seconded by Mr. Graham, that the same persons who were members of sub-committee No. 1 be appointed a sub-committee of the main committee to continue its studies with regard to contracts with civilian flying clubs, associations or companies, and to continue to operate until the house adjourns.

Mr. BLACK: I would suggest that the personnel of the committee be changed and two other names added. Two of our sub-committee never sat and never appeared at any of our sessions—Mr. McGeer and Mr. Ross Gray. They had perfectly good reasons, I presume, but the fact remains that they did not constitute the personnel of the committee.

Mr. CLEAVER: Mr. Chairman, if I may, I have a suggestion to make and it is this: that the sub-committee should be constituted as we are now constituted. We have been carrying on our work as a committee of five, the other two members having attended no meetings, and in that way the political parties have been very evenly divided. I think, without giving ourselves any bouquets, that we have done reasonably good work, and up to date we have been unanimous in our decisions, and I would hope, Mr. Black, that we would continue in that way.

The CHAIRMAN: There is a motion before the committee. Are you ready for the question?

Mr. DIEFENBAKER: Mr. Chairman, this is again the problem that I brought up yesterday. Now, we have listened to a recital this morning of the profits that have been made by these companies. I want to understand what I was unable to find out yesterday, Mr. Chairman, as to what the meaning of "in

camera" is. Does it mean that the information that I, as a member of the committee, procure in consequence of this conference shall not go outside of this meeting room? If it does, then I most assuredly do protest against this meeting "in camera".

Mr. GRAHAM: That is a matter for the subcommittee.

Mr. FOURNIER: That is not before the Chair at all at the moment.

Mr. BERCOVITCH: No. We are merely asking that the former subcommittee be reappointed. The question of "in camera" can be raised there.

Mr. CHEVRIER: That is a matter for the subcommittee.

Mr. BERCOVITCH: For the time being we are merely asking that we reconstitute the subcommittee, that it function again and that we give it powers to do so.

Mr. DIEFENBAKER: I understand that is technically true. But, Mr. Chairman, we have certain responsibilities. We want to know how to discharge them. I think you, Mr. Chairman, have the right to tell us that. Yesterday you took the view you could not make any decision on that.

The CHAIRMAN: Quite so.

Mr. DIEFENBAKER: If we find that, in consequence of the evidence that is brought before us here, profits have been from 46 to 60 per cent on the part of these companies and no result satisfactory to this committee is secured in consequence of this conference, I will just give you notice now that I will not refrain from referring to the evidence that may be given.

The CHAIRMAN: You will appreciate, I am sure, that I could not make any ruling that would have any binding effect in the matter in the House. It would be absurd of me to attempt to make any such ruling. But is it not possible that the information is obtainable elsewhere than from the witnesses? If it is obtainable elsewhere than from "in camera" sittings, then the information has been obtained. I will just make that suggestion. But obviously neither I as chairman of the committee nor any member of the committee nor the whole committee combined could make any ruling on the matter that would be binding.

Mr. DIEFENBAKER: On the House?

The CHAIRMAN: On the House.

Mr. DIEFENBAKER: All right. What about outside of the House? That is the point I am making. What about outside of the House?

The CHAIRMAN: Well, that is a subject that has not yet arisen; and following the well established precedent of the courts, it will have to be dealt with when the issue arises. There is no such issue now.

Mr. DIEFENBAKER: I raise it now.

The CHAIRMAN: There is no such issue existing at the present time.

Mr. BERCOVITCH: Question.

Mr. MACINNIS: Mr. Chairman, while we are dealing with this matter of "in camera" meetings I should like to make a few remarks. Is not the reason behind "in camera" meetings in order that, in the procuring of evidence or hearing of evidence you might hear evidence, or evidence might be brought out which if made public, would assist or bring comfort to the enemy? The purpose then is that every member of the committee, as a loyal Canadian citizen, is debarred from divulging any evidence of that kind, but evidence that will not give comfort or assist the enemy may be made public, or may become public. Although there is another factor which enters into it; it might have an effect on the morale of the people of Canada.

Mr. GOLDING: Absolutely.

Mr. MACINNIS: And to that extent also every member must be his own judge as to what he is going to divulge or what he says here. If he is interested in maintaining the morale of the people of this country and thinks that can be done by not divulging what he hears, or not divulging it in all its contents, then he will follow that course. Then there are other things that a person must be free to bring up in the House of Commons if he feels that his conscience compels him, in order to be true to himself, to bring them up. I am in "in camera" meetings entirely on that understanding.

Mr. BERCOVITCH: Question!

The CHAIRMAN: There is another reason for "in camera" meetings, and that is the one that was stressed when we discussed the matter previously, namely that "in camera" meetings will make for freer exchanges of opinions, suggestions and viewpoints than are possible in open meetings.

Mr. BERCOVITCH: Yes. Question!

The CHAIRMAN: Are you ready for the question?

Mr. BERCOVITCH: Yes. Question!

The CHAIRMAN: All in favour? Contrary, if any? I declare the motion carried on division. A motion to adjourn is in order.

Mr. CLEAVER: I move that we adjourn.

Mr. MACDONALD: Those who are not members of the subcommittee may retire.

The CHAIRMAN: The committee is adjourned.

The Committee adjourned at 12.50 p.m.

WEDNESDAY, June 4, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Green, Harris (*Danforth*), Macdonald (*Halifax*), MacInnis, McGeer, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson.

The Chairman presented a re-draft of the Committee's proposed Third Report to the House.

Following discussion, Mr. Fournier moved that the said report be adopted.

Motion carried on the following division: Yeas, 15; Nays, 4.

Mr. Picard moved that the Chairman do present the said Report to the House as the Committee's Third Report.

Motion carried on division.

The Committee adjourned to the call of the Chair.

FRIDAY, June 13, 1941.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Hon. J. T. Thorson, presiding.

Members present: Messrs. Abbott, Bradette, Chevrier, Cleaver, Diefenbaker, Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), MacDonald (*Halifax*), MacInnis, Hansell, Mayhew, Picard, Pottier, Ross (*Moose Jaw*), Thorson.

Before proceeding to the order of business, members of the Committee were unanimous in offering to the Chairman their congratulations on the occasion of his appointment as Minister of National War Services since the last sitting of the Committee.

The Committee then proceeded to organize in view of continuing its inquiry after the impending adjournment of the House, pursuant to the Order of Reference dated June 10.

On motion of Mr. Cleaver,

Resolved,—That the Committee reconvene at Ottawa on Monday, July 7, at 2.30 p.m.

On motion of Mr. Golding,

Resolved,—That the Chairman be authorized to obtain the services of a Secretary to assist the Committee during the period of adjournment of the House.

On motion of Mr. Picard,

Resolved,—That the Chairman be authorized to obtain the services of stenographers for members of the Committee, and typists for the Committee reporters, as required during the period of adjournment of the House.

The Committee then continued its sitting in camera, and, at 5.30 p.m., adjourned until Monday, July 7, at 2.30 p.m.

R. ARSENAULT,

Clerk of the Committee.

APPENDIX

MINUTES OF PROCEEDINGS AND EVIDENCE OF SUBCOMMITTEE
No. 2

(Printed pursuant to Order of Reference dated June 10, 1941)

FRIDAY, May 16, 1941

The Subcommittee met at 11 o'clock. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Marshall, Mayhew, Picard, Sissons.

The CHAIRMAN: Order, please.

I thought before I introduce the officers who are to appear before our committee this morning that it might be wise, just for the purpose of the record, to place a memorandum on the record with respect to our visit yesterday to Lansdowne Park. It reads as follows:—

Number Two Committee visited Lansdown Park on Thursday, May 15th, 1941 under the guidance of Major-General Schmidlin, Quartermaster-General, and Colonel Lawson, Director of Supplies.

The Committee was given the opportunity of viewing and inspecting the supply depot, the method of checking goods in and out of the depot and of discussing with the officers in charge the methods of inspection of goods taken in.

The Committee also viewed the kitchens and preparations of food supplies for the men, the storage of food supplies and the methods used in disposing of refuse and waste.

Now, gentlemen, we have appearing before us this morning Major-General E. J. C. Schmidlin, M.C., Quartermaster-General, and with him is Colonel H. O. Lawson, Director of Supplies. We will proceed then, gentlemen, with General Schmidlin's presentation.

Major-General E. J. C. SCHMIDLIN, M.C., Quartermaster-General, called:

The WITNESS: Mr. Chairman: We have a statement to give you in this brief that has been presented, a very concise statement of the method of obtaining foodstuffs for the army, of distributing them to the troops and looking after their proper preparation, and of preventing unnecessary waste in their preparation and use and also of deriving what revenue is possible from the necessary waste; and may I suggest that the members read the brief first and then ask me questions about it.

By Mr. Marshall:

Q. You might go through the brief and we might examine you on it as you deal with each section. We could ask questions about each section as you present it. How many sections are there—oh yes, I see there are fourteen sections to the brief.—A. Yes. There are four main sections to it; the first portion of the brief deals with the method of obtaining foodstuffs and that ends with paragraph 14.

Q. Oh, I see.—A. That is the method of obtaining and accounting for foodstuffs.

Q. Then, your second section?—A. The second section deals with the preparation and serving of food.

Q. Messing and catering, is that it?—A. Yes, messing and catering. And the next section deals with disposal of necessary waste. There are three, I am sorry, I thought there were four—there are three sections only.

The CHAIRMAN: It would be wise, I think, General, for you to proceed to read it, then members of the committee could interject questions as they saw fit.

The WITNESS: Would you like me to read it textually?

The CHAIRMAN: Textually, I think it might be easier for the purpose of the record if you were to read it and then a note will be taken of the various questions as they develop.

The WITNESS: *The Provision, Receipt Custody, Issue and Accounting for Supplies.*

1. The Quartermaster-General is responsible for the rationing of the Army and Air Force in Canada. The supply services are actually administered by the directorate of supplies and transport as shown on the organization chart of the Quartermaster-General branch, copy of which is attached hereto, and marked appendix "A".

The CHAIRMAN: It might be wise just to let us get that.

By Mr. Marshall:

Q. I see that you refer to rationing of the Army and Air Force; what about the Navy?—A. The Navy handle their own catering entirely, except in the odd case where they ask us for reasons of efficiency to look after a certain number of their men in army quarters. We are doing that at one or two places where the navy people are not able to look after them themselves. We are rationing some men in Toronto and we are rationing some men in Montreal at the present time.

Q. What about Halifax?—A. No, they handle that entirely themselves at Halifax. There are just the two cases in existence at the present time, Toronto and Montreal.

Q. That chart (Appendix "A") shows the complete organization of the Quartermaster-General's branch, and the only portion of it with which we are concerned is what? That will be in our exhibits. Perhaps we had better enter this brief with the forms it contains as one exhibit.

EXHIBIT No. 1: Brief of Supply Services, Quartermaster-General's Branch, Department of National Defence (Army).

A. We are concerned at the present time with the right-hand section under the heading, "Director of Supplies and Transport"; the left-hand section under "Director of Engineer Services" is a separate matter.

By the Chairman:

Q. Incidentally, Colonel Lawson is Director of Supplies and Transport?

A. Yes; Director of Supplies and Transport.

By Mr. Marshall:

Q. Could you give us a list of the various officers right down?—A. Yes, I can give you those.

Q. You could supply us with those later?—A. I will give them to you now, if you like.

Q. It would take too long. Perhaps you could supply them to us later so that we can have them in here.

The CHAIRMAN: I have considered that point too, Mr. Marshall. As you probably know, Committee No. 3 is going into the whole question of personnel at headquarters; it might serve our purpose to get that information from them. That committee is looking into the set-up of the personnel of the staff.

Mr. MARSHALL: The only object would be to know the individual who is at the head of each particular branch, that is all.

The CHAIRMAN: All right.

Mr. MARSHALL: Supposing we want to get in touch with one of these individuals, we would know to whom we should apply.

The WITNESS: That will apply only to the personnel of the supply section.

Mr. MARSHALL: That is all, yes.

The WITNESS: There are only two names there; you might as well have them right now.

By the Chairman:

Q. There would be the assistant director of supplies and accommodation?

A. Yes; that is Lt.-Col. Jones, the assistant director of supplies and accommodation.

By Mr. Marshall:

Q. Col. Jones?—A. Lt.-Col. Jones.

Q. Yes.—A. And under him Captain Baxter. That is under Q.1. Then there is the chief inspector.

Q. Q.1. is Captain Baxter?—A. Captain Baxter.

By Mr. Mayhew:

Q. The personnel changes pretty rapidly, does it not?—A. No; not very rapidly. Under "Chief Inspector of catering and messing" you have Lt.-Col. Webb.

Q. Yes.—A. Q. 2 is accommodation. The officer there handles accommodation in renting buildings and general records of accommodation, and so on, and therefore is not within the scope of this discussion this morning. All the other officers to the right on the chart are handling other duties. Col. Jones and Captain Baxter are the only ones.

Q. Jones, Baxter and Webb?—A. They are the only officers who are connected with the present discussion.

By Mr. Gladstone:

Q. Are they located at Lansdowne?—A. Oh, no; they are located in the Canadian building.

By Mr. Harris:

Q. Do their duties take them all over Canada?—A. Oh, yes; they may have to go anywhere on occasion for inspection purposes.

Q. How do they break up their work? What particular branch does each one handle?—A. Col. Jones handles the questions of supply, that is, foodstuffs and accommodation. He is generally in charge of both those sections. Under him is Captain Baxter, who deals directly with questions of supplies.

Q. I notice that the fish that was shown to us yesterday being cooked was sent immediately after it was caught in the ocean to a man by the name of Webb. That was food-supply, was it not?—A. That was obtained by Col. Webb of whom we have been speaking. It was not sent by him; it was obtained by him from the manufacturer or promoter of the idea who had approached him with the proposal.

Q. Jones is the No. 1 man?—A. Jones is the No. 1 man in the supply section.

Q. What does the other chap do?—A. Capt. Baxter is his No. 2 man. He is an assistant to Col. Jones in questions of supplies only. Col. Jones has a second assistant who deals with questions of accommodation.

Q. And then Col. Webb?—A. Col. Webb is not exactly in the position of being an assistant to Col. Jones; he comes into that section as chief inspector of catering and messing, reporting through Col. Jones to Col. Lawson on his own special duties.

By the Chairman:

Q. As I understand it, Col. Webb was brought in because of his broad experience in catering generally?—A. That is right.

By Mr. Mayhew:

Q. These men requisition their supplies from some member of the Department of Munitions and Supply, they do not actually do the buying?—A. Quite so.

Q. Who in the Department of Munitions and Supply does the actual buying?—A. At the present time the purchasing agent in the Department of Munitions and Supply in charge of foodstuff buying is Mr. Wilford.

By Mr. Harris:

Q. These gentlemen who are looking after this work have nothing whatever to do with the air port supplies or the navy supplies?—A. Oh, yes; air force.

The CHAIRMAN: Oh, yes, army and air force.

The WITNESS: Yes.

By Mr. Harris:

Q. They have nothing to do with the navy?—A. No.

By Mr. Marshall:

Q. Do all these indents for supplies go direct from Col. Jones to the Department of Munitions and Supply or through your office?—A. Through my office.

Q. Do they go straight from Col. Jones to the Department of Munitions and Supply?—A. Yes. They do not actually come through my own hands in all cases, although I actually sign the contract demands as they come through. There is no checking of quantities, or anything of that sort, once they leave Col. Jones. They pass through my office as a matter of signature only.

Q. Do you sign all contract demands?—A. Anything over \$5,000.

Q. Anything under \$5,000 can go through Col. Jones?—A. Col. Lawson signs those.

Q. Where does he come in?—A. He is the Director of Supplies and Transport

By the Chairman:

Q. You are the chief of that department, Col. Lawson?

Col. LAWSON: Yes, sir.

The WITNESS: Those points are all dealt with here.

The CHAIRMAN: I was going to point that out. A considerable number of these points are dealt with later, and perhaps it might be well to let Gen. Schmidlin complete his submission and you could make notes as he proceeds of the points in which you are interested. I noticed that questions were asked on points which I knew were dealt with later in the submission.

The WITNESS: We come to paragraph 2 which deals with the method of arriving at our present rationing design.

Previous to the present war, the small number of personnel of the Permanent Active Militia, the Royal Canadian Air Force, and the Non-Permanent Active Militia, while undergoing training at annual camps, were rationed on a cost

basis; that is, there was a very large varied list of foodstuffs that units might draw, provided the cost of the standard ration for the numbers of men authorized to draw rations, was not exceeded. The cost of the standard ration was based on 16 commodities, each with a weight issue per man per day. In other words, the cost of the ration was set from time to time and any articles, practically speaking, which could be obtained from a grocery or butcher store could be purchased by the unit concerned up to the amount set for the standard ration.

On the declaration of war, it was immediately recognized that the continuation of the issue of this ration would be impracticable, not only owing to the necessity for the carrying of large varied stocks of foodstuffs in supply depots and the intricate system of accounting that was then in force, but, also, to the lack of trained personnel to continue the system under war conditions.

To replace the peace-time system of rationing, the old ration scale used in Canada during the 1914-18 war was adopted, with certain minor changes. This ration consisted of the standard ration covering an authorized issue of 16 commodities per soldier per day, plus certain exchange issues, the issue of these being based on weight instead of cost. While this ration produced a perfectly wholesome diet, it soon appeared quite apparent that its variety was too restricted and, further, it did not produce quite as balanced a diet as was considered desirable. In view of the foregoing, it was decided to review the existing ration and, in order to obtain the most expert Canadian advice available, the National Research Council was invited by the Department of National Defence to form a committee of expert advisers on nutrition, dietetics, hygiene, household science, agriculture, etc., to consider said ration and to make recommendations for its amendment, keeping in mind the necessity of not unduly increasing the cost. From the meetings of this committee was produced a ration scale which, with several minor changes and additions in the authorized exchanges, is in accordance with the attached statement, marked Appendix "B".

Appendix "B" shows the present scale of issue of rations with all the various exchanges. That was the method of arriving at the present standard ration. That action was taken in October, 1939, if I remember rightly; I was not Quartermaster-General at the time. The old last war ration was used about a month or six weeks and then the new one was adopted.

MR. GLADSTONE: If there are questions as to the rations, should they be asked now?

The CHAIRMAN: Quite, if you have any, yes.

By Mr. Gladstone:

Q. Does the question of inspection come up now or later?—A. No; inspection will come later.

By Mr. Marshall:

Q. Was this scale set up by the National Research Council?—A. That is the scale as established by the National Research Council except for a few minor changes which have been made and which do not affect the scale or the type of commodity or the quantities in any appreciable manner. Usually they are such things as adding additional exchange items. From time to time we found it would be advisable—take, for example, looking down the list, you have as alternative for rice, rolled wheat, cracked wheat, rolled oats, macaroni or tapioca. We added tapioca as one of the alternatives just about three months ago, if I remember rightly. It was not there originally and we found after a few months' experience with the ration that there was a request here and there for tapioca and we decided to put it in as one of the alternatives. You saw the men in Lansdowne Park yesterday having tapioca pudding, as a matter of fact. They had drawn that in lieu of rice.

Salt pork was added. It was not on the original list. It was put in as an alternative to bacon because there was a demand for salt pork from the French-Canadian units particularly.

Mr. GLADSTONE: The noon day meal that was being prepared when the committee visited Lansdowne yesterday presented quite a tempting diet, I think, for the members of the committee.

By Mr. Harris:

Q. Appendix "B", as I understand it, is dated November 1, 1940. Is that correct?—A. It was effective the 1st of November, 1940, but it has been amended to the 25th of February, 1941.

Q. You do not happen to have a copy of the previous one?—A. Of the original?

Q. Yes.—A. We could provide it.

Q. Perhaps I should not say the previous one.—A. You mean the 1914-18 list?

Q. Let me ask this question: was the 1914-18 the one that was previous to this? Was there not one in between or two in between? Was there not a scale of rations drawn previous to November 1, 1940?

Colonel LAWSON: Yes.

The WITNESS: Oh, yes; that is right.

Mr. HARRIS: Could that be filed, Mr. Chairman?

By the Chairman:

Q. That, I take it, General, would be the one you adopted at the outbreak of war and which you mentioned?—A. Yes.

By Mr. Marshall:

Q. Have any changes taken place since the 25th of February, 1941?

Colonel LAWSON: I do not think so.

By Mr. Marshall:

Q. You find that this schedule is working satisfactorily?—A. Quite.

Mr. HARRIS: We noticed quite a number of pies up there yesterday; I do not see anything in this regarding pies. Is there anything in here, Mr. Chairman.

Mr. MARSHALL: There are apples and flour, so that you could get your pies.

Mr. HARRIS: An apple and flour do not make a complete pie.

Mr. MARSHALL: What would you like?

Mr. HARRIS: Perhaps a little lard. I asked, Mr. Chairman, about pies. This is for bread.

The WITNESS: As an alternative for bread, the unit might draw, if it wishes, flour with lard and baking powder.

By the Chairman:

Q. And served in the shape of pies?—A. Yes, in any form they liked—pies, cookies, biscuits or doughnuts.

By Mr. Harris:

Q. I do not see any vegetable oil shortening.—A. There is no vegetable oil shortening.

By the Chairman:

Q. As a matter of fact, I presume there would be an economy in the use of vegetable oils in the use of that particular ration?

Colonel LAWSON: I am not sure, sir.

The WITNESS: No, there is no economy. As a matter of fact, you might be interested to know that originally we had in there vegetable oil shortening; that is crisco or one of those manufactured domestic shortenings, and we changed that to lard at the insistence of the Canadian Meat Industry.

Mr. HARRIS: At the insistence of the Department of Agriculture after the matter was brought up on the floor of the House of Commons, not at the insistence of the Canadian Meat Industry.

Mr. GLADSTONE: By the member for Danforth.

Mr. HARRIS: No.

The WITNESS: There was a great deal of argument about it, particularly as to the possibility of holding lard in army kitchens for the length of time necessary to use it up without its going rancid, and so on. There were a lot of contradictory opinions on the matter; however, we have been using lard now since the first of November, 1940, or thereabouts, and I have heard of no trouble.

The CHAIRMAN: I suppose, Colonel Lawson, you have in your department a method whereby the cost of the use of lard and vegetable oils could be determined.

Colonel LAWSON: Oh, yes.

Mr. HARRIS: Lard is about half the cost of the other commodity.

By the Chairman:

Q. You would not know, General Schmidlin, or you, Colonel Lawson, the amount expended in a given period for any of these commodities?

Colonel LAWSON: The cost of the rations?

By the Chairman:

Q. Yes.

The WITNESS: Or the amount of lard we have used?

By the Chairman:

Q. Yes.—A. Oh, yes.

Q. You have all that?—A. Yes.

By Mr. Mayhew:

Q. Does this mean that pressed beef is in addition to the fresh meat?—A. No, no. If pressed beef is demanded, fresh meat is not supplied on that day. It is an alternative issue. They can have one or the other, but not both.

Q. Then the word "or" really means that it should apply right down the whole list?—A. Yes.

Mr. HARRIS: Mr. Chairman, a constructive suggestion was made yesterday in the matter of the grading of beef. The witness yesterday suggested that he expected that the Department of Agriculture would shortly put in a person to check the grading of beef. That means contacting, Mr. Chairman, another department of government; that means setting up another civil servant in another office, in another swing chair, another desk, another messenger, another stenographer, railroad transportation for that individual, and a lot of other costs about which we all know. They do not open these extensions in any department of government without surrounding themselves with an organization. The

suggestion I would make, Mr. Chairman, for your consideration, is based upon this fact. The suppliers of these products are honourable men; they are anxious to do a job; they are anxious that the troops get the very best possible in the way of supplies, and they are anxious to live up to their specifications. In spite of the odd misadventure, they are anxious to do what I have said about them. All right. Instead of going to the extent of bringing in the judgment of some inspector to inspect what has been inspected previously in the abattoirs, why not give consideration to this thought: every quarter of beef that is supplied to the army carries a tag, and on that tag which is supplied by the individual who is fulfilling the contract there must be a description of what kind of beef that is, whether it is blue label, red label, No. 1 steer beef, cow beef, heifer beef, or whatever it is—a simple tag.

Now, coming back to the idea of inspection, you will note also there is "Canada Approved" on all of the beef supplies. What does that mean? It means that the Department of Agriculture has already had an inspector in the abattoir and that inspector who is a servant of the Department of Agriculture has inspected and stamped that beef. That is one inspection. Now, that individual who made that inspection is a trained veterinarian; he should know the grade; he watched the process all through the abattoir. Why not have the Department of National Defence demand when they receive this beef into their stores that that beef be tagged so that they would know what they were getting, rather than bring in another new person thus causing a new expense from different centres in Canada, perhaps from Ottawa, to tour this country and inspect that beef after it is delivered?

Now, let me point out some of the disadvantages which a new inspector would have to face. He has not got the advantage of being in the abattoir when the beef was slaughtered; he does not know whether they slaughtered 500 steers that day or slaughtered cows that day; he does not know how long that beef has been hanging in the chill room of the abattoir or how long it has been in transport from western Canada to, say, Halifax; and it is very difficult for the most expert to tell one grade of beef from another after that beef has hung for two days, four days or six days or after that beef has been in the refrigerator, at various temperatures for one day or two days or three days. When I refer to varied temperatures I mean that some refrigerator cars have block ice and some have crushed ice and some have salt and the stuff is shipped in hot weather and cold weather and in humid weather. From the very nature of the business conditions change. Can you not see false economy in sending an inspector from Ottawa down to Halifax to inspect a brand or a grade of something which was already inspected seven days before in the abattoir at Edmonton when the same Department of Agriculture which did the inspection in Edmonton is now going to set up an inspection after the stuff is delivered in Halifax. Those weight tags that you saw yesterday follow it through from the day it is shipped from Edmonton. Have a simple tag originated by the service, demanded first by the Department of National Defence from the Quartermaster-General's department—demanded by him and perhaps originated by him—demand that that inspection of the Department of Agriculture put on that "Canada Approved," and at the same time fill in the other and that will follow the beef right through. It will save a lot of money to the department and it will have this added benefit, that it will tend to educate the man in the stores. By absorption if by no other means he will get to know the beef he is handling, not only by looking at the beef but by looking at the tag on the beef at the same time. He will get to know more about what he is doing. He will know whether the steak should be laid on the block and hammered with a cleaver to break down the fibre or not. A No. 1 steer beef will be much more tasty. The best cow meat you have to hit with a cleaver on both sides in order to make it palatable. He would know how to handle that meat, whether to put it through the hamburger machine or to use it as round steak or to serve it as it is, not from his knowledge of knowing beef but from the fact that the tag is on the beef.

Mr. GLADSTONE: Stamps on the beef can be altered? Tags can be switched; how would you control switching of the tags?

Mr. HARRIS: You have to depend on someone. Let me answer that question this way: the net result of the inspection as it is outlined now, namely, that an individual comes to Ottawa and inspects the deliveries and he may catch odd cases—for example, there is the case of the cow beef in British Columbia which was caught, perhaps, seven months afterwards—from one to seven months afterwards—it was that long before they got on to it—and the difference in the price was 4 cents a pound between cow beef and No. 1 steer beef. How long had that been going on? From one to four months. How many thousands of dollars were lost to the government and subsequently recovered by the government by taking hard cash from the individual who supplied the meat when they discovered that their branch house was doing such a thing? I do not say they did it from a sense of trying to chisel the government at all. The party at headquarters who made that contract referred to perhaps did not even know that cow meat was being supplied; the branch house had to make its branch pay and someone lower down on the scale of the organization took a chance and that went on from one to seven months before headquarters knew about it and immediately that the headquarters organization knew about it they sent a substantial cheque—much more than a substantial cheque.

Mr. GLADSTONE: Was any meat taken in without government inspection?

Mr. HARRIS: No. You can get good old canner cows worth three cents a pound and get a government stamp on the meat; the government stamp only has to do with health not with quality at all. I think that unnecessary difficulty is raised here. Take a chance on integrity for the time being for all supplies of beef. They would not be taking much of a chance because with the Quartermaster-General's department on the job they would soon find out if anything was wrong.

Now, the whole point of the discussion this morning is to save the expense of setting up another organization to inspect and put the onus of responsibility on the supply and label it at the point of origin and then take the odd chance on misadventure.

The CHAIRMAN: Incidentally, on that point raised by Mr. Gladstone, why could you not use the stamp rather than the label?

Mr. HARRIS: I think, perhaps, you could. Your stamp would, of necessity, have to carry the weight, of course. You would have a fairly good-sized stamp, and you might have a different colour—a green stamp, while the other was red; but the government are very careful about that stamp they use, the "Canada Approved" stamp; it is regarded very carefully.

The CHAIRMAN: It is an interesting point, and I suggest that we ask General Schmidlin to give us his opinion.

Mr. GLADSTONE: Of course, a difficulty is that government orders are probably taken from a store room where the meat previously has been stamped and the government orders are not specifically looked over as government orders by the government inspector.

Mr. HARRIS: That meat is examined by government inspectors, and it would be a very simple matter to add that extra duty to the personnel from the Department of Agriculture.

Mr. GLADSTONE: Specifically inspected and passed on government orders.

The CHAIRMAN: The only difficulty that would present itself now would be this: the food supply of the army is a matter that throughout the centuries has caused great public interest, and you are taking the stamp of approval

in the supply house, the meat packers, and there might be a period of time before that meat is delivered at the point where it is going to be used either in the army or in the air force; so would there still not have to be an inspection?

Mr. HARRIS: You are going on to another point; that is a matter of supply and transport, the matter of spoilage between the point of origin and the point of destination.

The CHAIRMAN: My point is this: suppose that at a given moment to-day a given quarter of beef was stamped "grade 1 Steer" or whatever it is called, and suppose it were allowed to hang under conditions that were not sanitary and then was delivered at the supply depot, would you not still have to check back to see that the food the men were getting was not only of good quality in the past but was of good quality at the moment.

Mr. HARRIS: Yes, any one of the several departments could do that. That onus would be entirely on the personnel of the Department of National Defence as presently organized. Why bring in another inspector?

The CHAIRMAN: The suggestion is certainly there.

Mr. GLADSTONE: There can be rejections on delivery.

The CHAIRMAN: Yes, but the rejection is based on inspection, and it is only when the individual officer receiving those goods does not feel certain of his capacity to judge that he calls in the assistance of a more trained man from the Department of Agriculture. However, we will get the General's idea.

The WITNESS: Mr. Chairman, I think, perhaps, Mr. Harris did not understand very well the idea I was trying to present as to this method of inspection. Actually, what we are trying to arrange is exactly what he has suggested. We are not going to send any inspectors out from Ottawa, we are not going to set up a new organization, we are not going to incur any additional expense; we are simply arranging with the Department of Agriculture so that when an inspector in going through the manufacturer's plant or storage house and marking the supplier's meat under the normal inspection service for health and conditions of preparation and so forth that he will also, if that contractor has a contract for beef with us—he will also be shown the pieces or carcasses which the contractor proposes to supply to our supply depots in that area, and he will then check those for their suitability in accordance with our specification, and if they are suitable he will mark them with a second stamp, our distinctive stamp, which will be exactly the same thing as putting the tag on it. He is inspecting for quality, age and grade, as well as for health and conditions of preparation in the plant, and that will have exactly the same result as Mr. Harris is aiming at. There will be no new inspectors.

The CHAIRMAN: That is not as yet in force, is it?

The WITNESS: It is just going into force on an experimental basis to see how it works out in Ontario and Western Quebec—London, Toronto, Ottawa and Montreal—those are the centres we are going to start with.

The CHAIRMAN: Does that fit into your idea, Mr. Harris?

Mr. HARRIS: Yes, quite. Make sure it is stamped in the chill room by the inspector.

The WITNESS: That is exactly what will be done.

Mr. HARRIS: The inspector decides that he wants 15 quarters of beef and he goes to the chill room and picks out the 15 he wants and puts his tag on and labels it.

The CHAIRMAN: Do I understand that that will be done by the Department of Agriculture's man in the ordinary course of his work in going through his inspections?

The WITNESS: In the ordinary course of inspecting the packers' plants. They will do the work for us.

The CHAIRMAN: If that is successful that would fairly well take care of that.

Mr. HARRIS: Yes.

Mr. GLADSTONE: I wish to say that I am positively in accordance with Mr. Harris' idea that it would obviate any necessity for adding to staff or expense.

The WITNESS: We have no intention whatever of adding any additional personnel in our own department.

Mr. HARRIS: I was thinking of the personnel in the Department of Agriculture—adding to their personnel.

The CHAIRMAN: All right, General, will you proceed.

The WITNESS: We now come to paragraph 4.

4. In order to provide a source of supply for the rationing of the Army and Air Force in Canada, R.C.A.S.C. supply depots are established at various centres throughout the country, dependent upon the localization of units. To provide a flow of foodstuffs for the operation of these depots, it is the responsibility of the military districts in which they are situated to submit to National Defence headquarters in sufficient time to guarantee supply, when required, contract demands, National Defence Form 73. (Copy attached marked appendix "C").

By Mr. Marshall:

Q. Well now, what is this appendix "C"?—A. Appendix "C" is a contract demand form.

Colonel LAWSON: Pardon me, that is what is known as a financial encumbrance form.

The CHAIRMAN: Thank you.

By Mr. Marshall:

Q. Is the same form used for all purchases?—A. Yes, this is the form used for all purchasing in the Department of National Defence. It is a standard form.

By the Chairman:

Q. That is an old form, I notice?—A. I was just going to say that this form might be a little misleading because of the fact that it is an old form—with us all printed copies have to be used up before new copies are printed and you will notice that this one is marked "War Supply Board" and, of course, that is no longer in existence.

Q. Really that should be the Department of Munitions and Supply?—A. Yes.

Q. All right?—A. These demands, when received at National Defence headquarters, are checked and passed to the Department of Munitions and Supply, which department, through its district purchasing officials, arranges contracts, usually monthly, thus creating the source of supply.

5. In tendering for the supply of foodstuffs, prospective contractors are required to use a departmental form which contains the specifications of the commodities required, delivery and other conditions of contract. When a contract has been awarded for a certain commodity, the officer i/c supplies of the pertinent supply depot is advised of the awarding of such contract by being provided with a copy of the acceptance form, D.M. & S. 8, (Copy attached marked appendix "D") which, in notifying him of the details of the contract, also informs him, by means of the quotation of code numbers, specifications to apply to that special contract.

Q. Now, let us take this matter of the description of supplies; that is fairly brief is it?—A. Quite.

Q. And I suppose you have through custom established concise wordings for use as descriptions which would be readily intelligible to the contractor supplying the materials?—A. (Colonel Lawson) Yes. The tender forms will be confined to short terms but the specifications dealing with a particular commodity sets the requirements out in more complete detail.

Q. And that descriptive specification I presume just contains the generic term, and it does not go into details at all?—A. No.

6. The officers i/c supplies make their demands on contractors in accordance with their requirements. These orders are made in writing, or when made by telephone, confirmed in writing, by the use of M.F.C. 2004 (Copy attached marked appendix "E").

Perhaps, Mr. Chairman, I should just amplify that paragraph a little bit on account of the fact that the picture may not be entirely clear as it stands. Contracts for a commodity are made on the basis of approximate requirements. In other words, the contractor is told that we will be requiring during the month for which that contract will hold approximately so much, but that delivery will be made on demand by the supply officer to whom that commodity is consigned. Each supply depot, by the way, will have its own separate contractor—separate contract demand—put forward for each of them; and the supply officer then demands from the contractor the amount that he requires from day to day but does not have to take the total amount shown on the contract demand, and actually he can get more than that quantity if it becomes necessary owing to changes in ration strength; if that increases he can get an increase in the quantities or any quantity at the current price, by simply applying to the local purchasing agent of the Department of Munitions and Supply one of whom is in each of our military district headquarters, so that the contract is elastic in so far as quantity is concerned.

Q. Within a reasonable relationship to the department?—A. We make no guarantee to the contractor of any minimum quantity or anything of that sort, because it is always possible that all the troops being fed from a given supply depot may be moved out unexpectedly and that demand for rations there would fall to zero within a few days; so there is no guarantee to the contractor that we will take all or any given part of the amount shown on his contract.

By Mr. Sissons:

Q. Generally in calling for tenders do you bulk such commodities together? What I have in mind is your tender form—I have seen one in Calgary calling for potatoes, vegetables and raw apples. The first set of forms I saw called for potatoes and fresh vegetables, then that was changed and raw apples was added and the three were all put together. Does that come under you?—A. No, we have nothing whatever to do with the actual process of calling for tenders, that is entirely in the hands of Munitions and Supply.

Q. Then I can't get any help from you on it. I was just wondering whether those three should be joined together. Out in Alberta it presents rather a peculiar situation. We do produce potatoes and fresh vegetables but we do not produce raw apples, and the result there has been of course that the only ones who could fill those tenders were the fruit houses. The market gardeners were practically barred out.

Mr. GLADSTONE: I think Mr. Sissons has a point there; if the three are tied together that handicaps the vegetable growers of Alberta.

The CHAIRMAN: I imagine that we will have to ask Mr. Wilford of the Department of Munitions and Supply to come before us to explain their methods.

Mr. SISSONS: They could get lower prices if they were simply asking for potatoes or fresh vegetables.

The CHAIRMAN: One would think so.

Mr. SISSONS: But when you bring in raw apples the only ones who can tender successfully on those are people who have a connection with the fruit growing areas in British Columbia.

By the Chairman:

Q. The wording of that tender would not come from your department.—
A. No.

By Mr. Marshall:

Q. What is the method used in determining the qualities placed on the tenders?—A. I am sorry, we should have brought you a copy of a filled out contract demand.

COLONEL LAWSON: Perhaps the committee might like to have a look at all the specifications of each section of supply.

The WITNESS: May I explain, the contract demand we send in includes all commodities on one form, consequently Munitions and Supply have to break that contract demand down into commodity classifications—meat, bread, flour, milk, vegetables, apples, and so on—they have to break it down. I know of no reason why they should not break the apples away from the vegetables and potatoes.

By the Chairman:

Q. I can see plainly that we are going to go beyond one o'clock so we will have to sit this afternoon, so perhaps this afternoon you could bring that?—
A. We will bring back this afternoon a completed contract demand which has already been used, and a set of specifications for all foodstuffs.

We are down to the bottom of page two and I will now turn to paragraph 7 at the top of page three:

7. On the delivery of supplies at a R.C.A.S.C. supply depot, they are inspected by the supply officer as to quality and checked over depot scales as to weight. In addition to this inspection for quality by the supply officer, arrangements are in force with the Department of Agriculture, whereby their inspectors make frequent visits to our supply depots and assist our supply officers by carrying out their own departmental inspections and in providing an additional check as to quality in comparison with department of National Defence specifications concerned. When supplies have been accepted from a contractor, the latter is provided with an acknowledgment of delivery by the receipting of the original copy of his invoice, the duplicate copy being retained by the depot and used as a voucher for the taking on charge of the commodity in the supply depot stock book, M.F.C. 761, (copy attached marked appendix "F").

Q. I suppose the scheme with which you are experimenting in Ontario and western Quebec when put into operation would obviate the necessity of the inspector from the Department of Agriculture having to go to the supply depot directly?—A. But, you see, the inspectors do not go into the supply depots, because their job is done at the packers' plant.

Q. I thought the officer in charge yesterday who showed us through the supply depot indicated to me that if he were in doubt he would call for assistance from the inspectors of the Department of Agriculture?—A. That would be in special cases where he might run into difficulty—a case where there was a shipment which was a borderline case and where he did not feel that he could

definitely reject and at the same time he did not think it was quite right—then he has the option of asking a representative of the Department of Agriculture to come in and give him a considered opinion.

Q. That would occur infrequently, you think?—A. That, on meats, occurs infrequently; but this paragraph 7 really refers more to the other divisions of the Department of Agriculture, particularly the fruit and vegetable division whose inspectors wander about all the time because their inspections are made in the wholesale storage depots and even in retail stores all over the country; they are moveable people.

By Mr. Harris:

Q. I don't suppose they have an opportunity of inspecting the apples supplied the troops yesterday which we saw out at Lansdowne?—A. As a matter of fact, after we left there yesterday I went back to the supply depot to check up on that point, and those apples had been inspected by the Department of Agriculture inspectors who said that they were as good as we could expect to get at the present time under the specification.

Q. We should bring him before the committee and have some of these so-called experts cross-examined.

The CHAIRMAN: I heard one or two of the members of the committee commenting on the fact that those apples which we saw there yesterday appeared to be a great deal under size, shall I say. Another matter which they noticed and by which, shall I say, were intrigued, was the matter of the purchase of small canned goods—let us say of tomatoes. We were wondering if it would not be better to have them purchased in larger containers.

COLONEL LAWSON: That was mentioned to me and I am going to check that up with Munitions and Supply.

By Mr. Gladstone:

Q. Are canned tomatoes available in one gallon cans?—A. (Colonel Lawson) I am not sure, I do not recall that I have ever seen them put up that way. We do not use canned tomato juice, we use canned tomatoes.

Mr. MARSHALL: They use very large containers in the west.

The CHAIRMAN: Obviously it would be more economical.

Mr. MAYHEW: It is put up for logging camps in large containers.

COLONEL LAWSON: Of course, we have many many small units that would not take a gallon and would not be entitled to that much, so we would have to have a sort of mixture of both if they are available.

Mr. GLADSTONE: I think, on this question of apples, as I understand it there are two or three grades of apples—I think that when we come to grade 3 for example—culls—I wonder where those apples were procured that we saw at Lansdowne yesterday? I cannot believe that those apples came out of storage, that they had at any time been graded to conform to the specifications for grading of the Department of Agriculture. Many of them were greening cull apples that any member of the committee simply would not accept in his own home.

COLONEL LAWSON: There might be another point to it, possibly the apples which we saw yesterday out there had been picked over. We went back afterwards and had a barrel dumped out into baskets and we saw no difference between the apples at the top of the barrel and those at the bottom. There was a percentage of small apples, it is true; but we were told by the supply officer that the Department of Agriculture inspector was there and that he had said that those apples were the best possible to be procured under the conditions of our specifications, which we will bring in this afternoon.

By Mr. Mayhew:

Q. (To Colonel Lawson) Is that not rather a condition of the specifications? If that is so then we are going to have the same condition prevail throughout the year.—A. We are going to bring you a copy of the specification.

Q. I quite appreciate the difficulties of this particular time of the year, but if your specification will permit of that kind of an apple then I think your specifications should be changed. But I quite understand that at this time of the year we are getting pretty low on first and second quality apples and that you might have to take a third grade.

Mr. GLADSTONE: Surely there cannot be any specification that permits a mixture of apples of low grade with apples of grade 1—such as we saw out there yesterday.

Mr. MAYHEW: I do not see how any health officer would have permitted some of the apples to get there in the barrel that we saw. There was no inspection from that point.

Mr. GLADSTONE: I cannot believe that those apples were graded at all.

The WITNESS: With regard to these apples, we looked up the barrel in which they came, and those barrels were marked “domestic two and one-half inches and up” and I measured some of the apples that I got in the barrel and there were a few which were under two and one-half inches, but the specification allows for a certain percentage under that size. I have forgotten what it is—we will bring it in this afternoon—and as I recall it the specification calls for domestic grade in eastern Canada. Now, that specification was written for us by the Department of Agriculture as being the best they could evolve which would give us an apple which would be usable and at the same time would not pin us down to the highest cost apple that could be sold on the market.

By the Chairman:

Q. I suggest this, that this afternoon you bring in the actual specification—
A. I will bring in the actual specification.

Q. Together with the information as to who furnished these apples?—
A. We can find that out.

Q. Would you also be able to give us the name of the inspector of the Department of Agriculture who inspected them, so that we can follow it through?—A. Yes.

Mr. GLADSTONE: I would suggest that the Department of Agriculture would need to alter their grading if they want to bring about any increase in the consumption of apples in Canada.

The CHAIRMAN: We will follow that through just as a matter of interest to the committee.

The WITNESS: Paragraph 8. If a contractor delivers supplies that are not in accordance with the specifications of the contract, he is instructed to remove same and have them replaced within a given time. Should the contractor fail to replace such supplies when instructed to do so, the supply officer is then empowered to purchase in default of contract and to charge any increased cost involved against the contractor's account.

By the Chairman:

Q. What would happen, General Schmidlin, in the event that you had to have certain supplies if they are not up to specifications—let us say it was Saturday afternoon or Sunday—and you found the article faulty and you had no chance of sending it back, what would you do in a case like that?—
A. In a case of that kind—you are thinking of the cowbeef case. That is the only time it has ever happened.

Q. I did not have that in mind. Suppose, let us say, meat supplied for a week-end came in and it was unsatisfactory but you could not get it exchanged because of the supply place being closed and you have to serve it in some shape or form; would you still have a comeback on the contractor?—A. Oh yes, if the material supplied were usable but not up to specifications.

Q. That is what I meant?—A. And the circumstances were such that it had to be used, we would use it but we would then come back on the contractor through the Department of Munitions and Supply and demand a rebate on that particular shipment.

Q. And how would the argument between you and the supply house about the article not being up to specifications be settled; would the supply house be inclined to accept the decision of your inspector?—A. They do practically all the time. We have had very very few cases indeed where there has been any attempt on the part of the contractor to force on us supplies which the supply officer has rejected.

Q. I suppose when there is such a case the supply officer would get samples to substantiate his point that the goods were not up to specifications?—A. If there was any possibility of dispute; because, as I say, the contractors do not dispute the supply officer's ruling, they are looking ahead, as Mr. Harris said; the supplier cannot afford to do anything but play the game reasonably well—although, I must say the contractor is naturally human and we find the occasional instance where one does try to slip things through which are sub-grade, but when they are caught and turned back in the great majority of cases they immediately replace them with suitable stock without any argument at all.

Q. If that occurred frequently on the part of one contract would you report that to the Department of Munitions and Supply?—A. When it occurs more than once or twice we then report to the Department of Munitions and Supply with a recommendation that that contract be cancelled, and, generally speaking, that is done at once. In aggravated cases such as have occurred once or twice we have had to recommend that the name of a particular contractor be struck off the list of those to whom tenders are submitted and that he be barred from any further participation in our business. We had that happen in one or two cases in connection with vegetables. We have not had many of them. I might say this also, that if a contractor does really attempt to supply materials which are bad—and if this occurs at all it is usually in connection with vegetables—if he attempts to supply goods which are bad we immediately have his contract cancelled and have him barred from further tendering; and also, with the assistance of the Department of Agriculture, we prosecute him under the Food and Vegetables Act.

By Mr. Harris:

Q. The settlement is made by the Department of Munitions and Supply?—A. Yes.

Q. They have that authority, I mean?—A. Yes. Of course, that is the case not only where there is a settlement, but the contractor might be prosecuted and be liable to a penalty.

Q. In the cowbeef case a very substantial cheque went back to the Department of Munitions and Supply?—A. Yes.

Q. It did not go back to the Receiver General?—A. That cheque went back to the Receiver General.

Q. Directly and not by way of Munitions and Supply?—A. Through Munitions and Supply.

Q. They made the arrangement?—A. Yes, sir. In all cases of that kind the report would be made to Munitions and Supply, the department which actually made the contract with the supplier. We have not entered into any contract ourselves, and therefore any repudiation or adjustment would be made through Munitions and Supply and not through us.

By the Chairman:

Q. That case has been mentioned two or three times. What would be the explanation as to how that occurred, dishonesty or carelessness or lack of capacity?—A. Well—

Mr. MAYHEW: That is rather a large question and perhaps embarrassing for this witness.

The WITNESS: It is a rather embarrassing question. I do not know what motivated the contractor, but I think Mr. Harris' explanation of it some time ago was probably—

Mr. HARRIS: I think, Mr. Chairman, that should be deleted from the evidence. That information was answered on the floor of the house.

Mr. MARSHALL: Or, we could go into that in camera.

The CHAIRMAN: I am not asking about the contract, I am asking about the internal system of your department whereby your departmental officers did not catch that—

The WITNESS: But they did.

Colonel LAWSON: We caught it.

The WITNESS: We caught it on the day the stuff was delivered; I am sorry, you are wrong about that.

Mr. HARRIS: From one to seven months after.

The WITNESS: No, that was when the question was raised. The actual detection of the sub-grade material was carried out on the day it arrived and the contractor was notified on that day.

Mr. HARRIS: But the other meat had been eaten by the troops.

The WITNESS: That was because—as the chairman has said—it was not possible to get a replacement of that shipment which was the only one of that kind which was received in that particular supply depot. That supply depot had only been in operation—

Mr. HARRIS: I am not talking about the supply depot. I am talking about Military District No. 11.

The WITNESS: Oh, yes; but there has been no evidence of any sub-grade beef being accepted in any other supply depot in District No. 11.

Mr. HARRIS: That is where the inefficiency of your department comes in. Mr. Chairman, I respectfully suggest that it was not just up to 100 per cent.

The CHAIRMAN: But the statement by General Schmidlin, and he made it quite definite, was that they did catch it.

The WITNESS: Oh, yes.

The CHAIRMAN: At the time and at the point of delivery.

The WITNESS: Oh, definitely.

The CHAIRMAN: And reported it.

The WITNESS: Yes.

The CHAIRMAN: And then it took this period of time until it went through the proper channels.

Mr. HARRIS: Just a minute, Mr. Chairman; no, no; you see, that is not right. I won't let that go on the record; you can't get away with that. You are leaving the impression that it was caught on this Saturday afternoon when as a matter of fact it had been going on for some time previously and nobody knew about it except the shipper himself.

The CHAIRMAN: We may be able to go further into it. I am only asking this question of the Quartermaster-General as to whether in his opinion there was a weakness developed in his staff that they missed it; and his statement as Quartermaster-General is that his officials did catch that irregularity.

The WITNESS: Yes, that is very definitely the fact.

The CHAIRMAN: All right, go ahead.

By Mr. Marshall:

Q. There is one point I would like to take up with the witness: There is a complaint of a contractor supplying say vegetables and they are refused; if a second offence occurs I take it that they complain and that the name of the contractor be deleted from the list of those permitted to tender; has that contractor any way of appealing to anyone outside of the department—your own officer, for instance, might have a grudge against that particular individual, let us assume, they might perhaps not be just on the most friendly terms and your man might want to take it out on him in that way. In a hypothetical case such as that has the contractor anyone to whom he can appeal or to whom he could seek to justify his action and prove that it was not a deliberate attempt on his part to supply under-grade materials?—A. Yes, he can make his own representations to the Department of Munitions and Supply. There is nothing to prevent his doing that.

The CHAIRMAN: He very likely does, I presume.

Mr. MAYHEW: I would think he would have a right to do it, otherwise a contractor would be purely at the mercy of some one man who might have a grudge against him.

By the Chairman:

Q. That decision, I take it, would be a decision of the Department of Munitions and Supply?—A. Yes.

Q. Not a decision of your branch?—A. No.

Q. You might recommend it?—A. We recommend that this action should be taken.

The CHAIRMAN: I agree with you, but I thought that possibly when we got the supply officers of the Department of Munitions and Supply before us we could examine them on that point.

Mr. MAYHEW: Yes.

The CHAIRMAN: You make a note of that, Mr. Mayhew, and I will also make a note of it. Will you proceed, General Schmidlin.

The WITNESS: That brings us down to paragraph 9.

Rations are issued daily on demand by the unit by use of a ration indent, M.F.C. 552. (Copy attached marked Appendix "G"). The demand contained in this indent, while coming within the authorized issue in accordance with the ration strength of the unit, is based on the needs of foodstuffs to provide the day's menu for which the ration is being drawn in accordance with the weekly diet sheet, M.F.C. 714. (Copy attached marked Appendix "H"). This diet sheet is dealt with below under "Catering and Messing."

As rations are indented for daily, so are they issued daily. The ration issue, which is generally carried out at an early hour in the morning, is immediately preceded by an inspection of the foodstuffs to be issued; by what is known as a garrison or camp ration board. This board, which generally consists of the field officer of the day, a R.C.A.S.C. officer, other than the Supply officer, and a medical officer, inspects the foodstuffs as to its fitness for issue to the unit. In order to protect a unit from under-issues in weight, scales are available within a supply depot for the Quartermaster or his representative, drawing rations, to checkweights of the commodities issued.

Rations are receipted for by the unit by means of the certificate issue voucher, M.F.C. 783 (Copy attached marked Appendix "I"). Once supplies

have been signed for and removed from the R.C.A.S.C. Supply Depot by a unit's representative, the quality, quantity, safeguarding and handling of such food-stuffs, then become the responsibility of that unit.

By Mr. Mayhew:

Q. That officer comes to the main supply depot to take his goods, does he not?—A. He comes to the supply depot to get his rations for the day.

Q. He inspects them before they leave the supply depot?—A. He inspects them before they leave, yes. He has the option of refusing to accept anything that he does not think is in good condition, and he has the option of having everything weighed to make sure he is being given everything he has asked for.

By Mr. Gladstone:

Q. Do you find many cases of pilfering?—A. There are very, very few. Pilfering in the sense of actual thievery occurs occasionally, but very seldom, because it involves committing a criminal offence. The other more military offence of converting supplies by collusion between a contractor and somebody in the supply depot detachment is also very infrequent nowadays. We have since the beginning of the war had, I think, one or two cases only. We have remarkably little trouble of that nature.

Q. One ought not to pay attention to rumours, but one occasionally hears of cases of rations of beef being passed out.

Colonel LAWSON: You mean from the supply depot or from the unit's kitchen.

Mr. GLADSTONE: The unit's kitchen.

The WITNESS: Once the food has left the supply depot the unit itself is responsible for it; it is no longer my responsibility.

Q. We will come to that later?—A. Well, it does not come within my purview at all. The unit has drawn its rations from me, has accepted them as being satisfactory in quality and quantity and of the kind that they have requested for the day on which they are drawing, and it becomes their entire responsibility. I have no responsibility and no control over the unit. (*Refer to evidence of May 19 for corrected answer*)

By the Chairman:

Q. In such a case, though, the matter would finally come to your attention and be under your general authority and supervision, would it not?—A. No; that would come under the Adjutant-General.

Q. Oh, under the Adjutant-General?—A. Yes.

Colonel LAWSON: It is a question of discipline then.

The WITNESS: It is a question of discipline then. That is conversion or thievery or illegal disposal from the unit's cookhouse or quartermaster stores. That becomes entirely a matter of discipline and is dealt with by the Adjutant-General, not by me.

Q. I quite agree with you; I can see the distinction there, but if it happened to be that the offender was an officer of your department then you would take an interest in it?—A. Yes, but there is no officer of my branch in the unit. The Quartermaster of a unit is an officer on the unit's establishment. The Quartermaster-General's organization stops at the supply depot.

By Mr. Mayhew:

Q. He has no more responsibility than the T. Eaton Company would have in the kitchen of the Chateau Laurier?—A. That is the idea exactly.

By the Chairman:

Q. I thought you went down into the unit?—A. Not in the Canadian Army; in the American army that is true.

By Mr. Sissons:

Q. You have strict regulations, have you not, regarding unauthorized persons being in the supply depot? I noticed some regulations posted up covering the supply depot?—A. Oh, definitely, yes, sir. Nobody is allowed into the supply depot who has not a good and proper reason for being there as a member of a ration party drawing rations, or as a contractor's representative delivering rations. Nobody else is supposed to go into the supply depot at all.

By the Chairman:

Q. Yesterday, Colonel Lawson, I noticed that you have a double check in your stock book; any shortage would quickly declare itself?—A. Yes.

Colonel LAWSON: If the supply officer is an efficient officer, he would take stock of the various items at least once a week. Some of them go even further than that; they take stock daily of certain items. Our instructions are that they will keep a note of each one of these items of which they take stock and keep them in a manuscript book, stating: I checked up on so and so and I found so and so. Then at the end of the month there is a complete physical stock-taking, and surpluses are taken on charge, and any deficiencies if any, are written off.

By the Chairman:

Q. What do you mean by "taken on charge"?

Colonel LAWSON: For instance if at the end of the month, according to your books, you had, we will say, one hundred pounds of butter left, and you find you have actually one hundred and three pounds of butter, that means that inadvertently somewhere some unit had been shortchanged three pounds of butter. So we take that three pounds of butter on 'by means of a certificate receipt voucher and put it on charge again.

The CHAIRMAN: Charged against that depot, as it were?

Colonel LAWSON: Yes.

The CHAIRMAN: As a surplus?

Colonel LAWSON: That is right.

By Mr. Gladstone:

Q. At Lansdowne there are really two departments: your supply depot and then a unit which you supply but over which your department has no direct supervision?—A. Actually there are three units in Lansdowne Park of which you saw only one yesterday. There is No. 3 district depot which you saw; there is a battalion of infantry, the Lake Superior Regiment, which is quartered in another part of the grounds, and there is the Army Medical Corps Training Centre, which is quartered in still another part of the grounds. There may be some odd details around there as well. The Veterans' Guard, one company of the Veterans' Guard, is quartered in there carrying on an independent existence.

The CHAIRMAN: All right, General, will you carry on with your brief?

The WITNESS: In order to provide the District Paymaster with information in regard to the numbers of rations drawn by a unit during a month, a monthly certificate of rations issued M.F.C. 522 (Copy attached marked Appendix "J"), is prepared at the end of each month by the officer i/c Supplies, certified by the officer commanding the unit concerned and submitted

to the District Paymaster. Underdrawn rations remain the property of the public, while overdrawn rations are paid for quarterly by the unit. That means this; that if there are a thousand men in a given unit and at the end of the thirty day month the monthly certificate of rations issued shows that that unit only drew from the supply depot 25,000 rations instead of 30,000, that simply stands. It is a good mark to the unit as showing that they have used their rations economically and have been able to get along with less than the authorized amount of food.

On the other hand, if that unit has drawn more than 30,000 rations during the month, it is up to them to pay for them in cash.

By the Chairman:

Q. What funds would be available to the unit to pay for those rations?—

A. That is up to the unit to find out. They can pay that from regimental funds, or, if necessary, if the quartermaster has been at fault, the commanding officer can put the onus on him personally, or they can take any other measures they like. All that we do is to demand that money in the form of a Receiver General's cheque from that unit.

Q. The monthly certificate of rations issued to the District Paymaster would give him a double check on his pay-strength?—A. That would give him a double check not only on his pay-strength but also on the accounts for rations, the bills paid for rations. It enables him to tell how many rations have been issued and a check thereby against the demand for rations for the month, that is, the preliminary demand which is an estimate submitted by the supply officer before his contract was awarded.

Q. Wherein does the Paymaster have anything to do with the money transactions concerning rations?—A. Colonel Lawson is the Paymaster correct, or is it the treasury officer about whom the Chairman is speaking?

Colonel LAWSON: No; it goes to the paymaster. The chief object of this certificate of rations is to see that these units do not overdraw rations. In other words, a unit draws 30,000 rations during the month; the Paymaster says, "That is impossible; you have drawn too many rations, because you only had so many people on parade every day; therefore you should have drawn only 28,000 rations. You are overdrawn 2,000 rations. If you don't bring that up during the next quarter you will pay for that at the current cost of the rations."

By Mr. Harris:

Q. When they pay for it they would get a deduction for payments they had already made to the Receiver General from such things as salvage?—A. No; no connection whatever.

By the Chairman:

Q. I am at a loss to see where the Paymaster comes in there. I can understand why the Paymaster would want to see the ration issues to compare with his pay parade list, but why would the Paymaster be concerned with checking the financial outlay with regard to rations? Who would he then report to if he noticed—

Colonel LAWSON: Who would he report to?

The CHAIRMAN: If he noticed a discrepancy between his pay-parade sheet?

Colonel LAWSON: He would simply take it up with the C.O. of the unit concerned and send him a cash debit voucher.

The CHAIRMAN: That is to say, your department relies on him?

Colonel LAWSON: That is it. We have no means of checking a unit's parade state. We do not do that. A Unit puts in its indents saying, "This is how many rations we want." And we give them. But we catch him if he overdraws through the Paymaster's check against the ration certificate.

By Mr. Gladstone:

Q. Respecting one very large camp, it was circulated some months ago, I think by the carpenters, that there was an enormous waste due to supplies coming in in excess of the needs. I think if I recall correctly it was bread. The unused bread had to be dumped out as waste. From what we saw yesterday there was a definite check against that sort of thing. Has the system improved so that such waste is not possible?—A. The system has not been changed but the discipline and education of the troops has definitely improved through the operation very largely of our inspection, catering and messing division. That sort of thing, again, is the fault of the unit. It happens at a stage where we have lost control of the foodstuffs through our own organization. They are no longer in our charge; they are in the charge of the unit. If a unit quartermaster who has a thousand men on his strength to-day draws his 1,000 rations of bread from the supply depot, we cannot refuse to give him the 1,000 rations—he is entitled to them under the regulations. But if his men are not eating their full daily rations of bread, he will have some left over, and if he does not arrange with his cooks to make use of that surplus bread by building it into bread puddings, or something of that kind, the bread becomes stale and a dead loss and has to be thrown out. That is the quartermaster's fault, and the only way in which we can check that is by having our supply officers and our district inspectors watch the unit kitchens to see whether there is any evidence that they are accumulating foodstuffs in their kitchens, getting more in than they are consuming. The kitchen of a unit should be practically bare of foodstuffs at the end of each day. There should be nothing left in the kitchen cupboards and pantries and in the refrigerator except what is needed to prepare breakfast to-morrow morning, because to-morrow morning the new day's rations will be coming in.

Therefore, we have been steadily working away at training the units to feel their own responsibility and to keep a watch on the accumulation of foodstuffs, which should not occur. We have obtained remarkably good results from that within the last six or eight months.

By the Chairman:

Q. That would be carried on throughout Canada?—A. All over the country, yes.

Q. By the inspectors of your branch?—A. Yes.

Colonel LAWSON: We come to that later.

The WITNESS: That comes in under the inspection table.

By Mr. Sissons:

Q. Have you had many cases of rations being overdrawn?—A. Very few. There have been a few. There are occasions on which it is a little bit difficult for the quartermaster of a unit to prevent himself from overdrawing. A unit may be suddenly issued with a move order. It is going to move from this place to that place within a short space of time. If the quartermaster has not been careful he may have accumulated some foodstuffs, even in a moderate degree, and, if he is not careful to underdraw his rations as the time for his move approaches, he may have this stuff left over and he may therefore have overdrawn his rations and not have squared them up by underdrawing at the time his move takes place. That has happened perhaps once or twice.

Q. Have you been able to get settlement in the cases that have come to your attention?—A. Yes.

By the Chairman:

Q. In a case like that, would the unit quartermaster not take those supplies with him?—A. It depends on the nature of the move. Normally, he cannot do it.

Q. What would become of those supplies?—A. Turned back to the supply depot. But if he has overdrawn his rations and has not made it up by using up all the stock he had and underdrawing on his daily indent he is still left holding the bag; he has overdrawn his rations and he has to make it good.

By Mr. Gladstone:

Q. Of course, there is always the possibility that overdrawing in units might be associated with pilfering, such as meat and canned goods?—A. If we found that a unit was consistently overdrawing, or even that one unit was overdrawing spasmodically, that might give us an indication that there was something going on. As soon as we discovered the overdrawal at the end of the first month we would certainly go after that unit to see what was wrong.

Q. You have a very definite check, of course, on the number of men?—A. Yes.

Q. And the allowance provided per man?—A. Yes.

By the Chairman:

Q. I take it from what you have said that the district Paymaster and the unit Paymaster are the officers designated to check that very item.

Colonel LAWSON: Yes, in so far as this certificate of rations is concerned. (At 12.55 noon the committee adjourned until 4 o'clock p.m.)

AFTERNOON SESSION

The Sub-committee resumed at 4 o'clock p.m.

Continuing the evidence of Major-General E. J. C. Schmidlin, Quartermaster-General.

By the Chairman:

Q. Will you continue from where you left off, General?—A. We had just finished paragraph 12.

Continuing now with paragraph 13.

To keep himself informed as to the condition of the stocks of foodstuffs in supply depots, it is the responsibility of the officer i/c supplies to perform frequent physical stocktakings. These stocktakings are recorded on M.F.C. 538 (Copy attached marked Appendix "K"). Surpluses are immediately taken on ledger charge and deficiencies disposed of in accordance with the instructions of higher authority. In other words, if there are any deficiencies shown they are reported, and the reasons for the shortage are then investigated and authority is obtained to strike the deficiencies off at public charge; or, if the officer i/c of supplies himself has been lax and has incurred these deficiencies through carelessness, he is charged personally with the cost or with a portion of the cost, depending on circumstances. That is the sort of thing which very seldom happens. We have had, I think, just one case since the war started, at Aldershot. That is the only one I can recall.

As stated, when foodstuffs are received at a supply depot they are taken on charge in the stock book, M.F.C. 761 and when issued are written off charge

by Certificate Issue Voucher, M.F.C. 783 referred to above. Rations issued to units are recorded monthly in what is known as the Monthly Provision Supply Account, M.F.C. 786 (Copy attached marked Appendix "L"). A complete account of a Supply Depot's monthly transaction is recorded in a Supply Ledger, M.F.C. 504, (Copy attached marked Appendix "M"). The entries in the receipt portion of this ledger are supported by the Contractors' monthly Accounts by the issues are supported by M.F.C. 786. The supply ledger is balanced by comparing the remains found therein with those of the stock book, M.F.C. 761.

Q. Going back to paragraph 13 where it says, "Surpluses are immediately taken on ledger charge and deficiencies disposed of in accordance with the instructions of higher authority"—I noticed this morning that you spoke of a quartermaster shrewdly indenting for a short ration to take care of a surplus. Would he not have a chance to balance a deficiency against a surplus? Is there any elasticity to it there at all?—A. Yes, he can if he does it within a certain period by underdrawing before the quarterly accounting has to be made. He can balance an overdraw by an underdraw.

Q. But if he meets this inspection you speak about in paragraph 13, it is dealt with in that way.—A. Yes.

Q. Remembering back to my own army days, would you not find an inclination on the part of the quartermaster to hide a surplus in order to take care of a possible deficiency?

Colonel LAWSON: No, sir, not as a rule, because of the fact that our supply officers wander around all these cook houses and our inspectors of catering and messing do likewise. The C.O. is on the job too. The unit messing officer is also on the job; so I do not think there is any great practice made of what you suggest.

Q. Physically it would be quite a difficult thing for an officer to do without it becoming known?

Colonel LAWSON: Yes, because he certainly could not keep it anywhere but in the kitchen pantry; at least, I cannot conceive of a quartermaster doing that sort of thing. As a matter of fact, it is taken right from our supply depot to the kitchen.

Q. I suppose the real result is that each quartermaster strives vitally not to have deficiencies.

Colonel LAWSON: That is it.

The WITNESS: The fact that he is accountable for overdrawals tends to prevent that sort of thing. He is responsible himself and his C.O. If they get billed for an overdrawal by ourselves then the C.O. will immediately jump on his quartermaster to explain why, and, generally speaking, he has to provide the necessary funds, so the quartermaster is pretty careful.

Q. In his own interests?—A. The only cases where we have had overdrawals, as a matter of fact, have been usually where a unit has been suddenly moved, and where the quartermaster has been overdrawing for some reason or other and perhaps careless in his parade states in taking the numbers of his parade states, and he suddenly finds himself with an overdrawal which he cannot balance off by underdrawing, because he is going to be moved away. The account for that supply depot is closed as soon as he moves; he cannot correct it when he goes somewhere else. We have had perhaps two or three cases of that kind.

Q. That is part of the technique of a good quartermaster?—A. Yes.

By Mr. Marshall:

Q. I notice on your monthly provision supply account that you have columns for hay, oats, straw, hard wood, soft wood, hard coal, soft coal and coal oil; where are those supplies kept? You would not have many of those supplies around Ottawa, would you?—A. No, there is no forage. Those columns for forage—hay and oats—are now obsolete. We no longer need any horses in the Canadian army.

Q. I presume you have none of that stuff at all?—A. We have, practically speaking, no forage accounts any more. There are half a dozen draught horses in one or two of the camps, but I think that is all we have left.

Q. What about fuel?—A. Fuel is purchased in much the same way as food supplies by contract demand passed to the Department of Munitions and Supply, and then the fuel is delivered through the supply depot but it is not taken into the supply depot and issued again; it is delivered direct to bins at unit lines or into a central storage warehouse in some cases. That is where we need to maintain a certain amount of stock to provide against interruptions in service by the contractors. We have a coal storage shed in which a certain amount is kept, but, generally speaking, the fuel is delivered to unit lines. It is checked in, weighed in or measured in, as the case may be by the supply officer and issued to the unit in the same way.

Following paragraph 14, there is another paragraph which should have been included which gives the final stage in dealing with the supply accounts, not the contractors' accounts, but the supply accounts, the supply ledgers and stock books, and so on. We have not added that on here; it will be sent over in a few minutes. It is just explaining the last step in the procedure. This takes up only as far as the operations in the supply depot are concerned, and from there there is one more step before the accounts are finally closed off.

All these accounts in brief are audited by the departmental audits branch before they are finally closed off month by month.

Contractors' monthly accounts are checked by the officer i/c supplies at the end of each month with the total receipts as shown in the stock book; they are then certified as to correctness and passed to the District Treasury Officer for further action towards payment.

A complete set of the forms and ledgers used in the supply accounting of an R.C.A.S.C. depot for each month are submitted through the District Supply and Transport Office to the Stores Audit Branch, Department of National Defence, Ottawa, for audit. Any observations raised in connection with such accounts are brought to the attention of the District Officer commanding of the district concerned, when action is taken to rectify the account to the satisfaction of the Stores Audit Branch.

By Mr. Marshall:

Q. Do you open up new sets of ledgers every month?

Colonel LAWSON: Yes. We keep that yellow form in duplicate; one remains in the supply depot and the other with all supporting vouchers goes to Ottawa for audit.

Q. That is the only ledger you have?

Colonel LAWSON: That is right.

Q. And this is turned in to the auditor?

Colonel LAWSON: To the Stores Branch, Ottawa.

Q. From the Auditor-General?

Colonel LAWSON: I am not quite sure what he does with it after he audits. I think, as a matter of fact, he retains it here in Ottawa.

The WITNESS: That concludes that section, Mr. Chairman.

The CHAIRMAN: Perhaps this might be a good place to insert the exhibit that was asked for this morning by Mr. Harris; that is to say, the ration list that was used at the time of the declaration of war. You have that, Colonel Lawson?

Colonel LAWSON: I have that, yes. Unfortunately, I have only one copy.

The CHAIRMAN: Can we retain this?

COLONEL LAWSON: Yes. The subsequent one, the one drawn up by The National Research Council, will be over here in a few minutes.

The CHAIRMAN: It is coming over too?

Colonel LAWSON: Yes.

The CHAIRMAN: Then perhaps we shall wait until it comes. Will you proceed, General Schmidlin?

The WITNESS: The next section deals with messing and catering.

By Mr. Picard:

Q. Something came up this morning concerning wastage about which I should like to have some information. If civilians knew of some wastage in the units, how would they proceed to warn the authorities and what kind of an investigation would be conducted? Mr. Gladstone referred to rumours that were circulating at one time. I have heard the same rumours. I think they concerned the second division early in 1940. In one camp we were told by civilians who were working there building huts that they had seen some perfectly good food being wasted and thrown away; at least, they thought it to be good food. It was fish and some other things that they said were being thrown away or buried in the ground. I have no evidence as to that. I asked to have these people brought to me so that I could have a sworn statement made by these men, but they did not want to come forward because they feared they would lose their jobs. How could that be brought to the attention of the authorities and what kind of an investigation would be conducted?—A. The proper way would be for any citizen who saw the law being broken in that way to do what he would do under any other circumstances in civil life; in other words, notify the nearest authority, whoever that might be.

Q. Civil or military?—A. In that case he should notify the nearest military authority, because the civil authorities have no jurisdiction in this matter.

Q. The man was a poor working man who feared losing his job, and he comes back at the end of the week to his village and reports this sort of thing. That may be false, but it is a wrong impression, and if we could investigate it perhaps it would dispel these rumours.—A. That is actually the most unfortunate aspect of these reports. We have had a great many of them which have emanated from civilians either who have been employed in the camps, or, in some cases, who have just been wandering through the camps, or, in very many cases, who have had this information by second or third hand and who finally write in direct to the minister or to the department making these statements, but without any evidence of any sort.

Q. I could not get any evidence, I admit that.—A. Well, what happens in those cases is that if they finally come through to me I order an investigation to be made to ascertain if any foundation for these statements can be found. That investigation is carried out by the officer commanding the camp or the barracks, or whatever it may be; if it appears that there is any ground at all for any statement that has been made he assembles a court of inquiry and goes into the whole thing, calling witnesses and all that sort of thing, in an attempt to arrive at the facts. I might say we have had a very large number of these statements sent to us at one time or another, and we have had dozens of investigations carried out and we have yet to find one that was substantiated.

Q. That is what I thought, but I wanted to know how we could dispel these rumours. But if you investigate them?—A. Well, we do. We investigate them, but we have never yet been able to find either any individual who would come forward and give evidence or who would provide us with definite information as to what he had seen. There is no direct result, but of course it does result in our making more and more efforts to keep on the tails of all the

people in all the camps and barracks to make sure that they are not doing anything of the kind. One thing in connection with this sort of remarks that possibly might be as well to bring out, and that is this; an example occurred in Camp Borden. There is a camp there of 16,000 men. Units are moving in and out of that camp fairly frequently and often at short notice. Well, one of these rumours, the only one that we have ever found any foundation for at all as a matter of fact; one of these rumours that came to us was that baskets of bread were thrown out onto a pile of refuse that was being burned, and on investigation we found that that actually did happen, that a basket or two baskets containing perhaps sixteen or eighteen loaves or the equivalent of that had been thrown out; and we also found that it had been done by a unit that had been ordered to move and had this amount left over which had been allowed to accumulate in their kitchen, they couldn't use it up on the last day they were there. What they should have done was to turn it all back into the supply depot for disposal. Instead of that the Quartermaster just said to the fatigue party clearing up the barracks, get rid of that stuff, and they put it out on the dump. The sad fact about doing a thing like that is that while it is a small matter when you consider a camp of 16,000 men—imagine how much bread in the form of crusts and discarded cuts and so on are thrown out on a garbage dump in a city like Ottawa, or any town of 16,000 or so, of a size similar to Camp Borden; I am quite sure that it is a good deal more than sixteen loaves or their equivalent. When it is done in one of our camps it becomes a scandal at once because we are supposed to be able to use up every last ounce of bread and meat and everything else. Actually it is simply impossible to totally prevent food stuffs from accumulating to some slight degree. We are doing pretty well I think myself.

In connection with that story about the bread that case was investigated. We asked the District Officer Commanding himself to go into this whole business thoroughly and see what was going on, to see if there was any evidence of waste, of continuous waste of any kind, and while this was being done we had a letter from a lady in Barrie—Barrie is a few miles away from Camp Borden—this lady wrote in to the minister and said she was very badly worried indeed, she belonged to a knitting group, or a sewing circle or something of the kind, and all the ladies in the group were badly worried because they had been hearing this story of terrible waste and awful conditions at Camp Borden and how shoes and food were being burned up on the notorious dump, and could the minister reassure her. I suggested to the minister that the best thing to do was to take the lady and her friends, as many as she liked, to pay a surprise visit to Camp Borden and to see for themselves; that we would undertake to let them see anything they liked all through the camp, they could go into any building, see the kitchens, the mess, the barrack rooms, and see the burning dump and so on and so forth. And it was arranged, and one day this lady and six of her friends arrived in Camp Borden unannounced. We provided her with an officer to escort them around the camp and they went around and saw the whole place, spent the whole day there; and as a result of that we had a most enthusiastic letter from this lady afterwards in which she said in general terms that she could not imagine how any of those remarks could have possibly arisen; she was astounded by what she saw; she didn't believe men could run a housekeeping show as well as that; and so on, and she wished all the ladies, and men as well, in Canada could have an opportunity to go up there and see over this camp and see what things were like. And that just goes to indicate that very often these remarks are started either by malicious people who are trying to cause trouble, or by sincere people who misinterpret what they see, or may possibly see something that is not exactly what it should be; but starting a story, as you know, in that way—from one loaf of bread by the time the story reaches Ottawa it probably amounts to a carload. Now, that is a pretty clear-cut general indication of the amount of truth there is in stories of that kind.

By the Chairman:

Q. I suppose that is one instance that pleased the Quartermaster-General?

—A. That was one of the most satisfactory incidents I have ever experienced in all the time I have been in the army.

The CHAIRMAN: All right, we will go on from there.

The WITNESS: *Messing and Catering.*

1. The chief inspector of catering and messing, working under the Director of Supplies and Transport, is charged with the following responsibilities:—

(a) Through district officers commanding, the inspection of all messes in barracks and in camps.

(b) The inspection of food supplies in Q.M. stores and kitchens as to their proper care and evidence of waste.

(c) The proper preparation of food prior to cooking.

(d) The proper cooking of food.

(e) The proper serving of meals by means of the "Orderly" system of messing which is, briefly, that units detail orderlies for each table who report to the mess room a few minutes prior to the beginning of the meal and see that food is laid out so that the men help themselves. This system is not only economical but the meals so served are more appetizing.

(f) Assistance and advice to cooks in all phases of their duties.

(g) Advice to C.Os., quartermasters and messing officers as to the preparation of diet sheets.

(h) The inspection of kitchens to guard against waste and to encourage salvage of grease, fats, bones, containers, etc.

(i) Lectures to units on the above points.

2. The district catering and messing officer is charged with similar responsibilities as above and is carried on the strength of the district supply and transport officer.

By Mr. Marshall:

Q. That is Lieutenant-Colonel Webb—A. That is Lieutenant-Colonel Webb.

Q. What background has Lieutenant-Colonel Webb?—A. He had a very fine record in the last war—lost a leg—and when he came back he went into the hotel business for a time being manager of the Windsor hotel in Montreal and later at the Marlboro hotel in Winnipeg.

By the Chairman:

Q. Where does he make his headquarters?—A. He is right in the office with me.

By Mr. Gladstone:

Q. Does it ever happen that a man does not get enough to eat; I presume if he does not it is his own fault?—A. This "Orderly" system of messing that we mention here used to be called the "Family" system; that is to say, there will be a table with one or two orderlies and that table will accommodate eight or ten people. These orderlies report about ten minutes before the men come in and they will put all the meat and other things in proper containers on the table and the men help themselves at the table instead of going along in line cafeteria style where there is a fellow in a white coat standing behind the counter who gives you what he thinks a fellow ought to eat; and under the cafeteria system we found that most of the stuff was not eaten and thrown away as garbage.

By Mr. Marshall:

Q. And you use the family style in preference to the cafeteria system?—
A. Yes, we prefer the family style. By the way, that is not being done out there in the mess at Lansdowne Park. The reason for that is that the population is a floating one which is changing all the time and consequently there is no opportunity for us to get men trained into taking their turn as waiters—you just get a man nicely broken in when he is moved somewhere else. The men are only supposed to be at the depot from one to three weeks, so it does not work out quite so well in that depot. But in practically all the army units in the country that system is in force. There are a few places where they have not adopted it for one reason or another.

By the Chairman:

Q. Is that what they do in the Air Force?—A. As a matter of fact, sir, we do not cover the Air Force in what they do in their messes.

Colonel LAWSON: What we do is give them the services of our inspectors.

By the Chairman:

Q. And you supply them with the food?—A. Oh yes, but they have their own messing arrangements and I am not quite sure what they do.

Q. Is the chief instructor of catering and messing attempting to assume charge of this responsibility with regard to Air Force messing also?—A. Only with respect to advising them.

Q. That is what I mean?—A. We can order that to be the system in the army, and we have done so; but we cannot order that to be the system in the Air Force. They are all at liberty to feed their own men from their kitchens in any way they like, and I think most of them use the cafeteria system.

Colonel Webb, by the way, was appointed to that position very soon after the outbreak of the war, and we found that the work he was doing was so valuable during the first six months that I asked the minister for authority to extend his scope by giving him assistants in each military district, because of the fact that he could not cover the ground rapidly enough. It took him nearly twelve months to go around all the units in the country once, and that was not good enough, so we got authority to appoint assistants to him in each of the military districts, and they are dealt with in paragraph 2, which I read, and they are called district catering and messing officers. They are on the staff of the district supply and transport officer and at the same time report to Colonel Webb on their actual inspection and messing functions. They come under him and also under the D.S. and D.O.

By the Chairman:

Q. Are these officers especially selected?—A. They were especially selected for their experience in the handling of foodstuffs.

Q. And what rank are they given?—A. They were all appointed as Captains and I think they are all Captains still.

Q. Has this decentralization been successful?—A. It has been very successful indeed. The result has been that we have accelerated the teaching of the units by several hundred per cent during the past six months. In other words, we have made more progress in these six months than we had in the year before.

Q. I am a little intrigued by the different operations in the feeding of men in the Air Force compared with the men in the Army. I take it from you that speaking authoritatively that the Air Force has not accepted what you thought wise to set up in the army in the catering method?—A. In respect to the system of serving?

Q. Yes.—A. I would not like to be too definite about that, Mr. Chairman; to tell you the honest truth I do not know what system they are using in their own messes.

Q. Do you happen to know who the officer in the Air Force would be—is there a director of anything of a similar nature?—A. No, that comes so far as I know under the Air Member for Personnel, I think it is. If you would like to have information as to what they are doing I can get that very easily, Colonel Webb has visited a great many of their messes.

Q. It might be wise for us to have Colonel Webb appear before the committee to give us information about what they are doing.—A. He would know.

The CHAIRMAN: All right, General, just go ahead.

The WITNESS: In paragraph 3 we come to the question of cooks. Cooks for the most part are enlisted as such. Some are good, some are indifferent. The good ones are selected to qualify at the R.C.A.S.C. School of Cookery, Camp Borden, as instructors and they go back to their units, and in turn train others in the art of cooking. An additional school of cookery is being formed at the new R.C.A.S.C. training centre at Red Deer, Alberta.

By the Chairman:

Q. Just as a matter of interest may I ask you why Red Deer, Alberta, was chosen as a centre?—A. There was a combination of circumstances. We had decided that a second R.C.A.S.C. training school was necessary. That had been decided by the general staff, as a matter of fact. In other words the schools for training, gentlemen, have been increasing and all of the original groups of army training centres have been increased. In the case of the training centres for the army service corps, the engineers and the artillery, of which originally there was one army service corps, one engineer and two artillery, they have now been increased to two engineers, two army service corps and four artillery. In other words, these three branches of the service have had the number of training points expanded because of the number required beyond the scope of the single establishments that we had before. It was not possible to expand the original establishments by reason of room limitations in the places where they were. Therefore it was decided that we should have an eastern training centre and a western training centre for both army service corps and engineers. The locations chosen were really selected because it so happens that we had built at Red Deer one of the original thirty-day training centres which under the present form of training scheme became obsolete, one of the centres which would not be required under the four-month training scheme. Therefore it was converted into an army service corps training centre. We are adding a good deal to the buildings and so on; and in the same way we had another obsolete training centre at Dundurn in Saskatchewan. That one has been converted into the western training centre for engineers. That is how it came about.

By Mr. Picard:

Q. Have you experienced much trouble in securing the proper type of cooks in the army?—A. There has been a fair amount of trouble, particularly during recent months. The cooks who were available and who had experience before that have been pretty well taken up.

Q. I am asking this question because I have been connected with the Department of Justice for some time in the administering of penitentiaries. There have been times when we have complaints about food, and each time we discovered the food was perfect but the cooks were impossible. I have heard also that in some units people have complained about the meals. It must be

the same there; good cooks are hard to find at different times of the year.—A. Well, of course, the cooks that are with army units are there permanently. They are not brought in.

Q. I mean in the camps, in the training centres.—A. In the summer training centres this summer we are going to have a great deal of trouble. I am quite sure of that, because these cooks are picked up only for a short period, two weeks' training, or whatever it might be, and they must be found in the locality. It is going to be difficult this year. We have had reports to that effect already. Units are going to have a great deal of trouble to get good cooks.

Q. Must a man be qualified as a cook before he comes in? That is, a man who comes in for his training. Can a man enlist and then be assigned to the school and after he is through then be assigned in turn to—A. Yes.

Q. Do you look in advance and organize to have cooks as you need them or are they just sent there when occasion arises?—A. No; we are doing it both ways. We are taking in men who are enlisting for training as cooks and we are training them and having them in readiness to go to units who may want them. At the same time we are taking the cooks who have enlisted in army units and who were then taken in batches from their units and sent to the schools of cookery to improve their cooking. We take into the school of cookery as a rule only men who are already good cooks.

Q. Men who have some experience?—A. Yes.

By the Chairman:

Q. I presume you are hoping by training cooks and sending them back in instruction capacities you are going to increase and improve the supply of cooks?—A. Oh, yes. The effect of that school of cookery has been very marked for months back. The cooking generally in army units is good.

By Mr. Marshall:

Q. How many men are in training in camp cookery schools?—A. I think the class is about 50 and they run through their course in the matter of three or four weeks. I would rather let Colonel Lawson answer that question because he is more familiar with it than I am.

By Mr. Gladstone:

Q. It is very, very unfortunate for a unit that has not a good cook. I recall the case of one young man who had been moving about from place to place stating that with the exception of one place the cooking was splendid, but in one particular camp it was just terrible. I do not care to mention the camp, but in that camp the food was poorly cooked. I will tell you the name of the camp privately.

The CHAIRMAN: Is that some time ago?

Mr. GLADSTONE: That was a recent report.

The WITNESS: Well, it is quite possible that was so. That was in one of the N.R.M.A. training centres, I take it, not an army unit.

Mr. GLADSTONE: I rather think it was an army unit. Probably you will know when I tell you where it was.

The WITNESS: I would just like to say once more, gentlemen, I have no control over the cooks. The cooks are not army service corps personnel. They belong to the unit, and therefore it is the responsibility of the unit quartermaster and the unit messing officer appointed by the commanding officer, if the cooks are inefficient, to replace them, and also it is their responsibility to see that their men are given the opportunity to go to the school of cooking. We do not actually undertake at the present time to train up a pool of cooks

to be handed over to units when they are mobilized. We have not got to that stage yet. The cooks we are training ourselves in our training centres are intended for the units we have to look after ourselves. We do not supply them for the whole army.

By the Chairman:

Q. I take it that Colonel Webb and his district officer commanding is keeping a supervisory eye on cooks.—A. Definitely, yes. What he does is this: if he goes into a unit kitchen and finds that the meals there are not being well prepared he tells the commanding officer about that. He says: "Look here, you have got a very poor bunch of cooks in No. 1 kitchen. Your sergeant cook seems to be all right, but the other men in there do not seem to know what they are doing and I advise you to replace them or try to get them either to the central school of cookery, or the district school of cookery," which is generally available. The districts run these schools themselves with the assistance of men who have been to the central school.

By Mr. Picard:

Q. Have you arrived at a standard type of kitchen equipment, ranges or things like that, or is that left to the unit?—A. No; we equip all kitchens with standard equipment.

Q. Throughout Canada each unit has the same type of equipment?—A. Yes; that is, in the case where we supply the kitchens in hutted camps. In places like the exhibition buildings where you very often use equipment that is already in there we do not attempt to re-equip the kitchen entirely. Much of the equipment in Lansdowne park was in there before.

Q. But mostly throughout Canada the equipment is standardized?—A. Yes.

Q. When you do not get the same results it does not depend on the equipment?—A. No; they all get the same equipment to work with. To all intents and purposes they get the same number of cooking ranges, all of standard size and standard sized ovens, and they get the same space in which to keep their food and the same rooms in which to prepare it, the same equipment for preparing these foods. They all have mechanical potato peelers, so that they are all on the same level exactly.

By the Chairman:

Q. Under what unit officer, General, would the salvage of grease, fat, bones, etc., be; would that be under the quartermaster?—A. You mean the actual operation of collecting it?

Q. At least, the supervision?—A. That comes under the quartermaster directly.

Q. Would that quartermaster be under the district catering and messing officer or does that district officer take any interest in it?—A. The district messing and catering officer?

Q. Yes. —A. Oh, yes, it is part of his duty to see that the quartermasters of all units are watching their kitchen waste and collecting the salvagable wastes and preparing them for sale; and it is also his duty to do what he can in the way of finding contractors to take it. He helps the officer who is responsible for arranging for these contractors, namely, the supply and transport officer. The messing and catering officer helps him to find contractors.

Q. By the way, that district catering and messing officer would have nothing to do say with your Lansdowne park depot?—A. Oh, yes. The messing and catering officer from military district No. 3 will be wandering around there every once in a while.

Q. Who is that district caterer?

Colonel LAWSON: That is vacant just at the present time. Captain Wheeler has taken command of an overseas unit.

The CHAIRMAN: He will in due course be replaced?

Colonel LAWSON: Yes.

The CHAIRMAN: All right, General, I think you were on 4.

The WITNESS: Paragraph 4. Diet sheets. Diet sheets are prepared a week in advance and indents for supplies are based thereon. A sample of an actual diet sheet is attached hereto. That is, an actual diet sheet is prepared by a unit. Copies of those are sent in here to Colonel Webb continuously so that he can see that the units are keeping their diet sheets prepared and that they are doing it properly.

By the Chairman:

Q. I happened to notice that they are posted up where the men can see them.—A. The orders are that the diet sheets be posted up in the mess rooms where the men can see them. I might say this in connection with diet sheets, that it is possible to prepare something in the neighbourhood of 350 distinctly different diet sheets from the present standard rations. In other words, there is no reason why a man should eat exactly the same three meals two days in a year.

The CHAIRMAN: That, by the way, is an innovation in this war.

The WITNESS: Yes.

Q. All right. We now come to number 5.—A. Yes, number 5:

Inspection of meals—In addition to inspections carried out by inspectors of catering and messing, the commanding officers and orderly officers of units likewise visit the men at all meals.

An officer is supposed to visit the mess room at every meal and to wander about to see whether the food has been properly prepared and the men are happy about it. In any unit where that duty is properly carried out, it is very difficult to understand how complaints about the cooking or meals can come through in the way that some of them have come from people who claim to have been in those messes and who report, not through their own commanding officer but through outside sources. Every man in the unit, every man in the mess room is entitled to put his own complaint before the inspecting officer at any time, and why they do not do it I never can understand. I mean, that a man should sit in a mess room day after day and grouse about the meals, and not make a complaint is rather difficult to understand.

By Mr. Picard:

Q. Is that the case, that they do not complain?—A. They do not complain, no; because we have investigated a number of such complaints and in practically all cases we found that no complaints have been registered by the men, but they go out—this applies particularly to those 30-day training men—they go through the 30 days training and never say a word. Then they would go home and make complaints to their parents or their friends that the food at the camp was terrible or something to that effect.

Colonel LAWSON: In spite of the fact of putting on anywhere from 10 to 20 pounds weight.

Mr. PICARD: I never heard that. I suppose they treated them well at the places my people went to, because they all came back enthusiastic. I wanted to know about that, because in penitentiaries when we had complaints, they would parade before the warden about the least thing. Oftentimes they had no cause, but they would make it a point to complain and parade, and register their complaint personally.

The CHAIRMAN: I do not know that this has anything to do with our work, because ours is economy. But looking back on our own experience, I have often thought that many an orderly officer, particularly if he is a new subaltern, has little knowledge of the duties that he has actually to perform in that orderly office. Your general district messing officer could do something about that, I would think, if he would give them a lecture.

The WITNESS: That is exactly what they are doing.

The CHAIRMAN: They go through it as a routine.

Colonel LAWSON: When Webb goes around, he gets the whole blessed camp; not one unit, but the whole blessed camp.

The WITNESS: We have found exactly what you say occurs, especially with a young officer with no previous training in army life. They do not know just how much authority they have; they are perhaps a bit bashful and they are quite inclined to go through a mess room on inspection and will—

By the Chairman:

Q. See nothing.—A. As a matter of fact, the old habit was that the orderly officer would go in the door of the mess room and shout out, "Any complaints?" and turn around and go out before anybody had a chance to say a word. Now we are training them, bit by bit, not to do that, but to go into the mess room and wander about the tables and take a long time over it and ask individual men if they have anything to say about this meal.

Q. That is very wise.—A. Colonel Webb tells an amusing story in that connection. He went into a mess of a unit out on the west coast one time last year and wandered about and was talking to the various men and asking what that particular meal was like, was it a good meal. Finally he came to a chap and he said "How do you like the food?" This chap said, "It is all right except the soup." He says, "The soup here always tastes of fish. I do not like fish very much and I do not like fishy soup." So Colonel Webb said, "What day is it to-day?" The lad said, "Friday." "Oh," said Colonel Webb, "did you ever hear of people eating fish on Friday?" The boy said, "Oh, yes, sir." "Where did you come from, by the way," said Colonel Webb. The boy said he came from some place, some little place in Saskatchewan. Colonel Webb said, "Do you know what that soup is that you have just had?" The boy said, "No, I don't know what it is, but it certainly tastes fishy." So Colonel Webb said, "Son, if you only knew it, you have just been eating very high grade clam chowder, which is the standard soup on Fridays on the west coast."

Q. And considered a great delicacy?—A. Yes; and for which people down east pay a very high price in cans.

By Mr. Gladstone:

Q. On more days than Friday?—A. Yes, on more days than Friday. But they were serving clam chowder as Friday soup out there, to make it a complete fish day.

By the Chairman:

Q. Yes. The next is number 6?—A. Yes.

6. *Inspection of pantries*—District catering and messing officers and supply officers make frequent inspections of all pantries and any supplies found surplus to requirements are returned to the R.C.A.S.C. supply depot.

In other words, if a unit is accumulating food in its kitchen pantry, the food is taken away every little while and taken back to the supply depot and re-issued.

Q. That is taken back to the supply depot. Suppose it were stale bread. Would you re-issue that to some other unit or use it in your main depot or what would happen?

Colonel LAWSON: No. We do not take that back. We would suggest to the unit that they underdraw the following day and use this bread up in bread pudding or something.

By the Chairman:

Q. That would be a wise thing.—A. Bread is one thing you cannot take back and store and re-issue.

Q. That would be true of perishable items. You would insist that they use them up?—A. Yes.

Colonel LAWSON: Quite.

The WITNESS: This does not really apply to perishable items. We apply this to the staples.

By the Chairman:

Q. Right. The next is number 7.—A. Yes.

7. *General.*—Regulations and instructions for cookhouse staffs have been published in English and French. Copies of these are attached.

The CHAIRMAN: I think, Colonel Lawson, you have those two ration issues now?

Colonel LAWSON: Yes. That is the one on mobilization.

The CHAIRMAN: This is the statement of ration issues as of date 28th August, 1939, and will go in as exhibit 2.

EXHIBIT 2—Statement of ration issues as of 28th August, 1939.

The CHAIRMAN: Members may look at this later at their leisure. Then there is a second one which is dated the 24th of January, is it?

Colonel LAWSON: No, sir. That is from January, starting the 1st of January.

The CHAIRMAN: That is from January, 1940. It is the change of scale of rations as of that date, when that committee which has been mentioned in the submission was formed. We will put that in as exhibit 3 to be examined at your leisure.

EXHIBIT 3—Statement of changed scale of rations as from January, 1940.

By Mr. Gladstone:

Q. Have you rigid precautions against disease?—A. Against which?

Q. In connection with persons serving in the kitchen who are in any way affected by any kind of disease?—A. Oh, yes. That is looked after by the medical officer of the unit, whose duty it is to inspect the kitchen quite independently of the quartermaster or messing officer or anybody else, in order to ensure that proper hygienic conditions are maintained, and that the cooks are in perfect health. Medical officers inspect—I am not quite sure as to the interval but something like once a week, I think.

Q. The frequency of inspection of cooks and help in the kitchen is almost more important than inspection of any others in the service?—A. Well, the medical officers are pretty well on the job in that sort of thing, and to the best of my knowledge we have not had a case of illness propagated by cooks.

By the Chairman:

Q. There would be the usual periodic inspection as to venereal diseases and that sort of thing?—A. Yes. But that is a part of the regular inspection of the unit.

Mr. PICARD: I think they are very much better protected in the army than we are in civilian life. In some States in America they have laws which require that the food handlers be examined for tuberculosis or venereal disease, while in the army they have these inspections nearly regularly. We should have that in all provinces of Canada.

The CHAIRMAN: I notice that the camp ration board or garrison ration board is composed of the field officer of the day, an army service corps officer and the medical officer. That takes place very early in the morning, as a rule. Are the units able to get the M.O. up that early in the morning?

Colonel LAWSON: In most cases, you would be surprised. He is right there.

The CHAIRMAN: He is on the job?

Colonel LAWSON: Yes.

The WITNESS: It is rather interesting, as a matter of fact that we have found that these ration boards, in the majority of our places, get tremendously interested in the job. They try to qualify themselves, especially the medical officers, as food inspectors. They try to learn all that the supply officers know about the food, and we have cases where the ration board has refused to accept foodstuffs that have been passed by the supply officer. It does not happen very often but it has happened. Oh, yes, they are very good. They are very much on their toes.

The CHAIRMAN: I think we can proceed now.

Mr. GLADSTONE: In the regulations, number 15, you mention that potatoes, carrots and parsnips should not be peeled.

Colonel LAWSON: Except with the potato peeler.

By Mr. Gladstone:

Q. That means not to be peeled by hand?—A. That is what is meant there.

Q. That is what is meant?—A. Yes.

By the Chairman:

Q. All right, General, will you proceed?—A. Yes. We now come to the sections on disposal by sale of food containers and by-products from military kitchens of the Canadian army in Canada.

Sale of kitchen by-products

By-products from the kitchens of military camps and barracks throughout Canada are disposed of by sale to successful tenderers. In the case of a few isolated units where difficulties are being experienced in obtaining tenders, the district officers commanding concerned have been instructed to continue efforts to locate interested parties willing to offer quotations. Advertising for tenderers has been considered; but it was decided that the results therefrom would not justify the cost.

Tenders containing all the terms and conditions of contract are circulated to all interested parties in the area, or within collecting distances of the kitchens in two separate groups—one group includes bones, suet, rough fat and kitchen grease, and the other swill. When seeking competitive quotations by tender for bones, suet, rough fat and kitchen grease, prices are obtained for each individual product at a rate per pound or cwt., on the understanding that the successful tenderer

will be awarded a contract for a period of six months. When approaching persons willing to tender competitively for the purchase and collection of swill—

By the Chairman:

Q. With regard to that now, this committee is attempting in the immediate period when the House is sitting to make Ottawa, the district which we are close to, a lab. for examination, as it were. Could we secure information as to who are the successful tenderers for the first group—bones, suet, rough fat and kitchen grease, and the other swill?—A. Yes. I have that information here.

The CHAIRMAN: I will read this into the record. There is no secret about this, is there?—A. No.

The CHAIRMAN:

354-1-125-3 (DST)

14th May, 1941.

The following are the contracts in existence for the removal of Kitchen By-products and Swill at Landsowne Park.

Mr. M. C. Dempsey, Hurdman's Bridge, Ontario, \$41 per 1,000 men per month from 1-5-41 to 30-4-42

	Bones	Rough Fat	Suet	Kitchen Grease
		(prices per cwt.)		
Valiquette Bros., Overbrook, P.O., Ontario. . .	40c	\$1 00	Nil	\$2 00

Food containers are being disposed of by donations to War Services Committee, to Ordnance or by sales to various contractors; the proceeds to date through sales amount to \$119.39.

(C. S. Jones)

Lt.-Colonel

A.Q.M.G. (S.&A.)

Would you like this for your own files?

COLONEL LAWSON: No; you may have it.

The CHAIRMAN: Then we shall file it as Exhibit 4.

Will you proceed, General Schmidlin?

The WITNESS: Tenders containing all the terms and conditions of contract are circulated to all interested parties in the area, or within collecting distances of the kitchens in two separate groups—one group includes bones, suet, rough fat and kitchen grease, and the other swill. When seeking competitive quotations by tender for bones, suet, rough fat and kitchen grease, prices are obtained for each individual product at a rate per pound or cwt., on the understanding that the successful tenderer will be awarded a contract for a period of six months. When approaching persons willing to tender competitively for the purchase and collection of swill care is taken that these persons are in possession of a licence for the feeding of swine issued by the Veterinary Director-General, Department of Agriculture. Prices for swill are obtained at a rate per number of men (100 to 1,000) per month, and whenever possible contracts are awarded for a period of one year.

On obtaining tenders for the collection and purchase of by-products at a kitchen, the District Officer commanding submits them to National Defence Headquarters for consideration and approval by Mr. J. C. Kelly of the Department of Finance, who is the acting Chief Salvage Officer in the Treasury office at the Royal Bank Building, Ottawa. Upon approval by the chief salvage officer, National Defence headquarters grants the District Officer Commanding authority to accept contract with the successful tenderer.

When kitchen by-products are taken delivery of by a contractor bones, suet, rough fat and kitchen grease are weighed in his presence or the presence of his agent by an individual responsible to the officer commanding the unit concerned, and a receipt is obtained for each individual delivery made. Swill being tendered for at a rate per number of men per month, there is no necessity for the checking out of this by-product from kitchens.

Q. The term "swill" I presume, would include the left-overs at the table and all refuse?—A. All edible refuse. It has to be sorted out in the kitchen; in other words, there is a special swill container placed in the kitchen into which only edible substances are thrown, because the swill, in order to be fed to swine must conform to the regulations of the Department of Agriculture; it cannot be contaminated in certain ways. What cannot be put into the swill box has to go into the garbage pail and is then disposed of as garbage by removal or incineration.

Q. Is there an incinerator at Lansdowne Park?

Colonel LAWSON: There is no incinerator there.

The WITNESS: I imagine that is disposed of by the City garbage disposal system, but I would not like to swear to that.

By Mr. Gladstone:

Q. The swill collector does not have access to the kitchen at all, I suppose? —A. No.

By the Chairman:

Q. He would, I presume, get it in those places where we saw the cans deposited?—A. He gets his swill at the place where the garbage cans are put.

The District Officer Commanding through the District treasury officer, issues to the contractor concerned, a monthly statement of the amounts owing for the by-products delivered, and the contractor returns payment to the District treasury officer. When the remittance is received that officer is responsible for depositing the funds to the credit of the Receiver General's account, for calling attention to overdue accounts and for rendering monthly to the chief salvage officer, a return enumerating the monthly sales to each contractor.

Q. The salvage officer in this case would be Colonel Nolan?—A. No; Mr. Kelly, the salvage officer of the Department of Finance.

By Mr. Marshall:

Q. The money is the property of the Crown?—A. The money is the property of the Crown.

By Mr. Gladstone:

Q. It does not accrue to the unit?

By Mr. Marshall:

Q. It does not go to the unit?—A. I was just thinking that possibly this committee might really do something for the troops that would earn their undying gratitude by getting treasury board to authorize the return to the units of moneys accruing from the kitchen salvage sales. That has been the perquisite of the units in the British army for many, many years. It was authorized during peace time, but it was not authorized when the financial regulations were drawn up for the war period purely through an oversight; and we have been attempting now for over a year to have that authority re-established, without any success.

By Mr. Gladstone:

Q. Might that not tend to increase the waste?—A. No. because the money can only be used by going into the regimental funds where it has to be used for the betterment of the feeding of the men or for other legitimate purposes in adding to the comfort of the men in the barracks.

Q. I did not mean wasting the money but wasting the food that would produce the money.

Colonel LAWSON: We feel in that connection that there would be no increase.

By Mr. Marshall:

Q. Are you in possession of any figures which would show the amount that a unit could obtain per month or six months or a year.

Colonel LAWSON: Roughly. We have figured it would amount to not more than \$20 a 1,000 per month.

By the Chairman:

Q. That is to say, a unit of 1,000 men?

Colonel LAWSON: Yes.

Q. Do you mean all salvage or just kitchen waste?—A. Oh, no, just kitchen waste. That is, these things we have been talking about so far.

By Mr. Marshall:

Q. And the money would be used by the unit for its own betterment, the betterment of conditions among the men?

Colonel LAWSON: That is right.

The WITNESS: Particularly what we might call frills to the messing. The standard ration does not include what we call condiments—spices, vinegar, pickles, catsup, and things of that kind. It does not include the seasonable perishable vegetables like lettuce, radishes and fresh tomatoes. Those are articles that we cannot handle through supply depots reasonably. And that money, if returned to the units, would enable them to obtain for themselves a certain amount of these delicacies, if you like, or little extras to their ration, which add a great deal to the attractiveness of the food without in themselves having a particular food value, and which are very difficult, practically impossible to handle through the ordinary supply system.

Q. I am rather of the opinion, of course, that as members of parliament we can take cognizance of the General's kindly recommendation, but perhaps that is outside the purview of our work as a committee. Do you get my point?

Mr. MARSHALL: Why is it outside the purview of our work as a committee?

The CHAIRMAN: Because it would not be an economy of any kind; it would only be a transfer of funds from one to another.

The WITNESS: Mr. Chairman, we have argued that it would be an economy.

The CHAIRMAN: If you can bring it to us on that ground, we are interested.

The WITNESS: Our ground is the fact that the unit under that system gets something which it can use and which encourages it to take more pains in the preparation and separation of the salvagable materials and thereby effect economy.

Q. A little unit self interest?—A. A little self interest for the men in getting something from it. As things are now, the cooks have no incentive of any sort to try and increase the amount of salvagable material; in other words, there is more of a tendency for the materials to go into the swill box than into the grease and fat containers.

By Mr. Marshall:

Q. Or into the garbage cans?—A. Well, we are pretty careful about not letting it go into the garbage cans. We handle that from the disciplinary side. It is more difficult to prevent this material going into the swill box.

By The Chairman:

Q. It would create a little added interest on the part of the cooks.—A. It is purely an altruistic interest as far as that goes, because the cooks themselves will get nothing out of it but the unit itself will take an interest. And I might point out in that connection that quite recently we had a copy of an army council instruction in England that was sent out to all the units in the British army not long ago urging them to get a bit busier in their collection of salvage and their sale of salvage, because it was to their own interest to do so.

Q. Does the objection come from treasury?—A. The objection so far has come from the Department of Finance, I think, or from Treasury board.

The CHAIRMAN: I think that brings it within the purview of the committee if we get it on that basis.

Mr. PICARD: It could lead to more economy in the salvaging of other things. It might bring good results to the unit.

The CHAIRMAN: That brings it within our reference and we will have that in mind, General Schmidlin.

The WITNESS: We would be eternally grateful if something could be done.

Acting on instructions from the District Officers Commanding, District Catering and Messing Officers, in addition to their normal duties, work in close cooperation with their respective District Supply and Transport officers in the prevention of waste in kitchens, finding markets and prospective buyers for swill, kitchen by-products, waste paper and all types of salvagable food containers, and ensuring that the regulations in regard to salvage are adhered to.

Sale of Food Containers.

District Officers Commanding are solely responsible for the calling of tenders and the awarding of contracts to the highest and most suitable bidders for the purchase and collection of food containers for periods not exceeding three months.

At the time waste food containers are issued to a contractor, the issuing officer obtains a receipt showing all particulars of the transaction. When the District Officer Commanding passes these receipts to the District Treasury officer that officer is responsible for billing the contractor for depositing the moneys received to the credit of the Receiver General's account and for rendering monthly to the chief salvage officer, a return enumerating the monthly sales of waste to each contractor.

By Mr. Marshall:

Q. Have you any suggestion there, General, with respect to the moneys going to the Receiver General?—A. In this connection?

Q. Yes?—A. No. We have never suggested that the produce and sales of anything but kitchen waste should go back to the troops. Anything else is undoubtedly in our estimation the property of the public.

By the Chairman:

Q. I was just thinking, after our visit to Lansdowne Park, that there would be little accumulation of containers there, because those were passed out to the units?—A. Oh, yes, but the containers are then returned to the supply depot after.

Colonel LAWSON: I do not know if you noticed quite a number of crates and boxes over the refrigerators. Well, we sell those periodically.

The CHAIRMAN: With regard to the actual contracts in force, I notice that the containers are at present being turned over to a war service group. That is a definite war service committee of Ottawa, is it?

Colonel LAWSON: I am not sure just what means—the auxiliary service of our ordnance would use others.

By the Chairman:

Q. I was wondering, you would have to get the authority of Treasury for that, wouldn't you, to divert salvage?—A. No, not while we are disposing of it to a government department. It is available to any government department at no cost.

Q. This is a place at which I think you would like to go into a little detail. Probably the chief salvage officer would be able to give us a little more definite information in regard to that.—A. I am not quite sure just how far his knowledge of that extends.

Q. I notice this, that that is one of the phases about which there is a slight vagueness; is it not the case that there is a slight vagueness of the application of salvage?

Colonel LAWSON: You mean, in the case of containers?

The CHAIRMAN: Containers, yes.

Colonel LAWSON: Unless you have a supply of them—probably you are right in this particular department—

The CHAIRMAN: But you do not do that as a rule?

Colonel LAWSON: That is not generally the case. For instance, in Camp Borden we collect everything, the empty tins going back to Toronto. These are all sorted by people undergoing detention and are even fixed up in the case of egg crates, repaired; all of these things are taken into Toronto where we find a ready market for them. And in connection with this last thing General Schmidlin read, the District Officers Commanding are responsible in awarding contracts.

Q. So, that in this case that would really come under the district officer commanding, military district No. 3?—A. Yes. The vagueness here actually is in respect to the market.

Q. I see, in Ottawa you have no ready market?—A. There is no ready market, and consequently there is a vagueness and probably a good deal of changing sources through which these things are disposed of. Sometimes they can sell them and sometimes they cannot sell them—they give them to the auxiliary services, or ordnance may take them.

Q. Ordnance would take them to re-use?—A. To re-use, yes.

Q. I know two of our members, Mr. Mayhew and Mr. Harris, they have had some experience, they think you might get \$4 a ton for cardboard cartons; that would be net to you, if they were shipped to Montreal or Toronto or some other point at which they could be used. Would there be a considerable volume of that in Ottawa here?—A. Over a long period of time, there would be.

Mr. MARSHALL: I understood Mr. Mayhew, I think, to say that they would get about \$4 per ton for them right here in Ottawa but that in Toronto it would amount to \$8.

The CHAIRMAN: Yes, and that would net them \$4 here if they had to ship. However, you feel that that is really not under your direct authority.

Colonel LAWSON: Oh yes, we do not want to back up from any responsibility, but it really is directly the responsibility of the district officer commanding.

The WITNESS: The difficulty in connection with these materials for which there is no market here but for which there might be a market in Toronto or Montreal lies in two facts; first, that it would be necessary to arrange a contract with a firm which is in this military district; secondly, that we would be responsible for the packaging and shipping to Montreal or Toronto of all that material; and also for the sorting, and while it might be feasible and might result in a certain amount of profit, so far we have been attempting to keep the disposal operation as simple as possible by working in the locality where the material becomes available. We are getting into very big business if we start selling salvage, cardboard cartons say, from a district supply depot at Ottawa to firms in Toronto or even Montreal; or if we attempted to do the same sort of thing at a point like Dundurn in Saskatchewan, selling to a firm in Winnipeg or Vancouver—it becomes difficult. We are going rather quietly on that at the present time on that account. I would suggest that possibly this National Salvage Drive that is being carried out may help us in that respect if they have markets or have facilities for shipping, because they are going to be handling very large quantities and might easily embrace that.

The CHAIRMAN: Efficiently and well?

The WITNESS: Yes.

By Mr. Marshall:

Q. Would this National Salvage campaign have any effect upon the disposal of such items as bones, suet, fat and grease?—A. They might in some cases and in some localities. Bones, for example, as they leave our kitchen are clean bones; there is nothing left on them at all. Our orders are that all bones must be boiled down to clean bone. Stock pots are kept in kitchens all the time and bones are all brought down to the ultimate residue, there is nothing left on them that is any good for food; therefore, they are bones that could not be used by anyone except someone in the manufacturing industry who was making some product such as bonemeal or bone charcoal—although, there is one firm out in the west which makes a black fox food by grinding bones and mixing the product with meat or something. We have a good deal of difficulty disposing of bones for the reason that contracts for bones are hard to raise. Now, the National Salvage organization might be able to dispose of these bones at some central location like Montreal; for example, there might be a manufacturer of bonemeal or bone-charcoal down there that would take anything they could get.

The CHAIRMAN: I think that is a sensible suggestion, that we consult with them.

The WITNESS: And it would not be a difficult matter to arrange for the collection from our supply depots or for the delivery of those products at a central collection point. That would not be a difficult thing to handle. What do you think about it, Colonel Lawson?

Colonel LAWSON: It would be quite easy.

By Mr. Gladstone:

Q. When we realize of course the very important national aspect of bones being required urgently for certain purposes?—A. Bones are required, you say?

Q. Yes.—A. But the difficulty is, you see, this—to get those bones to the point where they are required and to do so at a cost which will leave use with any return at all, and it is a very much easier thing to do that if large quantities are available rather than small ones. We might be able to contribute a great deal to the salvage campaign in that way.

Mr. GLADSTONE: Just one point: Would it be possible to ascertain from treasury the amount say per month realized in the sale of kitchen by-products?

The CHAIRMAN: I think so. We will have to follow that through. I notice it is about half past five and we are nearly through with this, so perhaps we had better start to clear things up.

Have you the specifications, Colonel Lawson, which you were going to submit?

COLONEL LAWSON: You wanted to have a look at a contract demand.

The CHAIRMAN: Yes. We will just look through this.

EXHIBIT No. 5: Specifications of food requirements.

Colonel LAWSON: And there is a typical contract demand.

The CHAIRMAN: You do not want to file this?

Colonel LAWSON: No; it is a part of my records.

The CHAIRMAN: This is an actual copy of a financial encumbrance of the type included as part of Exhibit No. 1 and referred to in your submission as appendix "C"; and it shows—I think you had better come around here, Colonel Lawson, I think we need your expert assistance in this; and I think perhaps if the committee members are interested they might just come up to my table here and we will look this document over.

Colonel LAWSON: Now, this contract demand is for R.C.A.S.C. supply depot at Guelph, Ontario. It is made up by the district supply and transport officer whose name happens to be Gammage, a Major. It is for a period of three months, and these are estimated quantities of food supplies which that particular supply depot will require. Now, that is signed in turn by the district officer commanding, sent down to us, and it comes across my desk; it happens to be for more than \$5,000, and it is signed by myself and by the Quartermaster-General; and then the Treasury puts some marks on it as to the availability of funds and so on, and then we pass this thing—the original of this—to the Department of Munitions and Supply and immediately they take over on it.

Mr. GLADSTONE: I was just wondering about that item of lard there—

Colonel LAWSON: Lard—that is part of the ration used in cooking—making pastry and that sort of thing.

Mr. GLADSTONE: You do not get your lard from your purchases of meat?

The WITNESS: The amount of lard shown in there is the estimated amount required in addition to drippings and other edible fats that are obtained in the kitchen itself. The fats that we sell from the kitchen are the fats which we cannot use in cooking.

By Mr. Marshall:

Q. Is this an indent for a camp?—A. For one supply depot.

By the Chairman:

Q. An army service corps supply depot—I suppose that would be for all units in the Guelph area?—A. These are units in the winter fair building.

The CHAIRMAN: I notice it is on the basis of one delivery and as required.

Colonel LAWSON: That is right.

The CHAIRMAN: There are your beans, Mr. Marshall. Apparently there are not as many beans used as you thought.

Colonel LAWSON: That is for a period of usually three months. Now, then, in awarding contracts the head office of Munitions and Supply have their local purchasing agents make contracts based on that amount monthly.

The CHAIRMAN: Give me that again.

Colonel LAWSON: The local representative of the Department of Munitions and Supply actually makes all the contracts, but he makes them on a monthly basis. Usually he takes one-third of this quantity or—

The CHAIRMAN: In some cases as you say he may take delivery of the whole business?

Colonel LAWSON: As he thinks wiser, yes.

Mr. MARSHALL: This is your requirement for a three-month period?

Colonel LAWSON: Yes.

Mr. MARSHALL: You do not requisition for anything more than three months at a time?

Colonel LAWSON: No.

The CHAIRMAN: The name of the inspector who checked the apples which were accepted at Lansdowne park is E. A. Eardley, inspection service, fruit and vegetable division, Department of Agriculture.

Colonel LAWSON: This inspector, I found out at the telephone, did not see these actual apples.

The CHAIRMAN: Which was just discussed.

Colonel LAWSON: He was there last month, but his last inspection was on the 2nd of May and these apples have come in subsequently.

The CHAIRMAN: So he would not have passed judgment on these apples?

Colonel LAWSON: Not on this particular lot.

Mr. GLADSTONE: The minimum for an apple, I believe, is two and a half inches. I happened to carry away two that were picked at random, at least at random amongst the smaller ones, and these two measured between 2 and 2½ inches. Therefore they were one-quarter to one-half an inch under the minimum diameter of 2½ inches.

The WITNESS: Yes; if you look at these specifications for apples in that folder you will find that for eastern Canada the specification calls for domestic grades 2½ and up, and in accordance with the requirements of the Fruit and Vegetable Act or whatever the name of it is. Investigation of the Act shows that in the grading of domestic apples or the domestic grading of apples there will be an allowance of 5 per cent of the product which may be above the maximum size specified or below the minimum size specified. So you can have five apples in every one hundred less than 2½ inches in diameter and still have no quarrel with the contract.

By the Chairman:

Q. What specification?—A. Specification for apples.

By Mr. Gladstone:

Q. Some of these had punctured skin.—A. You will find also in the Act that domestic grades permit of certain surface blemishes which are not permitted in the higher grades.

The CHAIRMAN: There, Mr. Sissons, is a possible explanation of your case.

Looking at these specifications I find: "The apples shall be Canadian grown and at time of delivery shall meet the requirements of 'Fancy' grade—"

The WITNESS: You are looking at the western specification.

The CHAIRMAN: That is right. Here is the one for eastern Canada "Raw Apples. The apples shall be Canadian grown and at time of delivery shall meet the requirements of 'Domestic' grade (as defined in the Fruit and Vegetables and Honey Act and regulations) of size 2½ inches and up, except the varieties McIntosh, Snow (Fameuse) Ribston, Northern Spy, Delicious

Baldwin, Golden Russet and Winesap, which may be of size $2\frac{1}{4}$ inches to $2\frac{3}{4}$ inches. A bushel shall mean full measure but in any case the apples shall weigh not less than 42 pounds per bushel." That is the specification for the apples.

The WITNESS: These were Northern Spys, so the minimum size is $2\frac{1}{4}$.

Mr. GLADSTONE: It might not be so objectionable if they were well coloured and ripened, but they were very green, sickly looking, poor looking apples.

Q. Do I take it, to complete that, that the apple specifications under which these actual apples we looked at were purchased is such that these apples would be expected to comply with these specifications contained therein? The contractor would have a copy of these specifications?—A. Oh, yes; that is attached to the tender form.

Q. I take it in this particular case the officer at Lansdowne depot must have accepted them as complying with the specifications?—A. Yes, and moreover asked the opinion of the inspector from the Department of Agriculture of a previous shipment, not on this particular one.

The CHAIRMAN: Do you suggest, Col. Lawson, that the previous shipment was of a like nature?

Colonel LAWSON: They have been running very much the same for some time.

Mr. GLADSTONE: I showed these two apples to a member of parliament who is an apple grower and he classed them as culls.

The CHAIRMAN: How many apples would be taken in on that contractor's supply? Who supplied these apples, Colonel Lawson?

Colonel LAWSON: Ottawa Produce Company.

The CHAIRMAN: They are contracted to supply raw apples, three bushels to a barrel, \$4.50 per barrel of three bushels. This is what it says: "The above mentioned supply must comply with specification 7-P-7, amendment 2." That is the one I read from. "F.O.B. supply depot, Lansdowne park, Ottawa, Ontario, delivery to be made only on instructions from the officer in charge of supplies, Supply depot, Lansdowne park, Ottawa, Ontario, estimated cost, \$670. The contract demand originated at Kingston, Ontario, and is for the requirements as required during the month of May 1941." It does not suggest how many.

Colonel LAWSON: Approximately it would be that (indicating) divided by that (indicating).

Mr. Sissons: There is just one point about these apples that I should like to make clear. Did the man out at this depot simply leave these apples on the table until they were thrown out? Would the men accept them at all? They appear to be very unappetizing. My feeling would be to leave them on the table until doomsday, and eventually they would be thrown on the swill heap.

Mr. MARSHALL: If we had visited the place at 4 o'clock in the afternoon and found these apples there I would say they were left over apples. But the fact that we visited the place just before the men were coming in to a meal is almost evidence that they had apples there especially for that meal.

By Mr. Sissons:

Q. They were there for that meal. But what I want to get at is after that meal were those apples still there? Would the men eat them?—A. The supply officer told me yesterday that the men were eating them and that they were not complaining about their lack of quality. Colonel Lawson ate one in the supply depot and found it was surprisingly good to eat. They are much better than they looked.

Mr. MARSHALL: Fortunately, however, we did not sample them.

The WITNESS: You should have sampled them.

By Mr. Gladstone:

Q. The soldier is lucky who gets the first choice in the fruit.—A. What actually happens in the mess room, in all probability, is that the men who are fond of apples will pick the best ones out of the bowls and that there will be some left over which are then returned to the bins in the kitchen where you got the two culls, and then the cooks make those up into applesauce or apple pie.

By Mr. Marshall:

Q. The strange thing is that apples are not on the menu for dinner at all. They appear on the menu for supper—at least on this diet sheet.—A. On that diet sheet; but that is not the one you saw yesterday.

Q. No?—A. That is somebody else's diet sheet.

Q. Where do apples come on your diet sheet? They only appear on my diet sheet at Trenton for supper.

MR. GLADSTONE: On my diet sheet, Monday, apples at three meals; Tuesday, at two meals; Wednesday, apples at three meals; Thursday, apples at three meals; Friday, apples at three meals; Saturday, apples at three meals and Sunday, apples at three meals.

THE WITNESS: They are just put on for the men to take. I might explain this about apples. The ration of apples is over and above the normal scale of issue and is not counted in there as being a part of the food supply to the men, if you see what I mean. In other words, the remaining items on the list are sufficient in themselves. The apple was added.

By Mr. Marshall:

Q. They are not included in those 16 commodities?—A. No. They were added on afterwards, at the request of the apple growers—Mr. Harris is not here to object to it this time. At the request of the apple growers of Canada the apples were added on as a sort of extra item. They are just put there for the men to take as they want them. (*Refer to evidence of May 19th for corrected answer*).

THE CHAIRMAN: I was going to suggest this, Mr. Gladstone, that probably the wisest way to handle the question of these apples would be to ask Colonel Lawson, if he will, to have Mr. Eardley—because you are still getting those apples—inspect the apples at the present time in Lansdowne depot and give us a report. Would that not be the most sensible way?

THE WITNESS: I think that would be the best way.

MR. GLADSTONE: We would like to feel that the soldiers are getting the quality that are being paid for.

THE CHAIRMAN: Quite. Do you not think that is the best way to approach the question?

MR. GLADSTONE: Yes.

THE CHAIRMAN: There are several other matters that I thought the committee would likely be interested in. That was the handling of the canteens. From discussing it with Gen. Schmidlin, I understand that there has been considerably greater supervision over canteens operated in units in this war than in our day.

MR. MARSHALL: I was just wondering whether or not that was under the supervision or jurisdiction of Gen. Schmidlin.

THE WITNESS: Canteens? No. Canteens are under the supervision of the adjutant general.

THE CHAIRMAN: They are under the A.G.

MR. MARSHALL: I was going to raise the question of canteens, and then I thought probably it was not under his jurisdiction.

The CHAIRMAN: I should like to get from you something you gave to me just before the committee convened, and that was information as to the cost of feeding a given unit. You gave it to me. Would you kindly put it on the record, please?

Colonel LAWSON: The average cost of feeding the army and the air force, from coast to coast, is 31 cents.

The CHAIRMAN: That would be the average over twwhat period of time?

Colonel LAWSON: That is for the fiscal year ending March 31st.

The CHAIRMAN: March 31st, 1941?

Colonel LAWSON: Yes.

The CHAIRMAN: It would be 31 cents per man per day?

Colonel LAWSON: 31 cents per man per day.

The CHAIRMAN: I also asked you and you ventured an opinion, as to how it compared with the cost during the last war of 1914 to 1918.

Colonel LAWSON: We have not any definite figures on that, but we have found something to the effect that the cost of a ration during the last war in Canada varied from 15 cents to 40 cents.

The CHAIRMAN: From 25 cents to 40 cents. So it is still somewhere within that range?

Colonel LAWSON: Yes.

The CHAIRMAN: Did you have any camparative figure for the United States army or the British army?

Colonel LAWSON: I could not give you definite information on that.

The CHAIRMAN: Does your department on occasion use other countries as a sounding board, as it were?

Colonel LAWSON: Yes. We have had some officers up in Ottawa from the Quartermaster Corps of the American army, but I unfortunately was away at the time. Do you remember whether they made any statement, General?

The WITNESS: They did not tell me personally, but they told Colonel Jones that the average cost of their ration was in the neighbourhood of 50 cents.

By the Chairman:

Q. In the United States?—A. Yes.

Q. Tell me, please, how many rations were issued in that year you were speaking about?

Colonel LAWSON: 42,678,675.

The CHAIRMAN: And from that we can easily mathematically deduce the number of men that were taken care of in that period.

Colonel LAWSON: Yes.

The CHAIRMAN: Have you any comments on that particular phase, gentlemen?

Mr. GLADSTONE: So the diet for this war is somewhat improved over the last war?

Colonel LAWSON: Very much.

The CHAIRMAN: Oh, very much. Then there was another question. General Schmidlin's department also supplies hospitals with their food supplies. That is correct, is it not?

The WITNESS: Yes.

The CHAIRMAN: I do not know whether we should start on that subject just now. Then I wanted information from General Schmidlin in another matter. You will have noted that under his department, specifications for army equipment

come. I know the committee was particularly interested in that matter. Possibly it would be wise for us to consider the subject of the necessity for buildings, who decides that, the location of sites, specifications, if there are any army buildings under construction at the present time in the vicinity of Ottawa or in this military district, if there are any anticipated in 1941. I should think that those are some of the items that we shall have to still go into with General Schmidlin. Since it is nearly 6 o'clock, perhaps we had better adjourn now.

The subcommittee adjourned at 5.55 p.m., to meet again on Monday, May 19, at 4 p.m.

MONDAY, May 19, 1941.

The subcommittee met at 4 o'clock. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Marshall, Mayhew, Picard, Sissons.

The CHAIRMAN: I think it is now 4 o'clock and we will call the meeting to order. Before we formally proceed with General Schmidlin's evidence, I may say that he has had an opportunity of reading over the transcript of the evidence already given and there are one or two small corrections that he would like to have made in the record. I propose to read them into the record of the committee and the committee can approve of them.

General Schmidlin says in part:—

I should like to add, in order to have the record clear, the following sentence, to come after the sixth line from the bottom on page E-3: "Except that it is the duty of supply officers and inspectors of catering and messing to inspect units' kitchens frequently, and to withdraw to the supply depot for re-issue any surplus stocks which the unit may have accumulated."

General Schmidlin explains that that is dealing with a reply to Mr. Gladstone as to the possibility of pilfering, etc.

The second correction is in connection with General Schmidlin's answer to Mr. Marshall's question at the middle of page HH-2. He says:—

I find that my statement that apples were included at the request of the apple growers was incorrect, and that the apples were added to the ration list by the special committee of the National Research Council. I would therefore ask for permission to have this answer deleted, and to substitute the following:—

No. They were added in consequence of a recommendation by the ration committee of the National Research Council. They are put out on the tables for the men to take as they wish.

General Schmidlin also includes a copy of a report which has been received from Mr. E. G. Paige of the Department of Agriculture, in connection with the inspection made by himself and Mr. Eardley of the apples in hand at Lansdowne Park.

General Schmidlin says:—

The apples inspected in the district depot kitchen were those which I looked at in the supply depot on Friday, and which were issued to the unit on Saturday morning. It is clear from this report that the apples which are now being supplied are as good as can be expected under the present specification of grade. To specify a higher grade than "domestic" would, of course, involve an increase in the price paid.

Then the report reads as follows:—

DEPARTMENT OF AGRICULTURE

OTTAWA, May 17, 1941.

Report of Administrative Inspection of Apples at Lansdowne Park, Ottawa.

This morning Inspector E. A. Eardley and myself visited the supply depot to check the quality of apples on hand particularly in respect to size.

We found there were no apples on hand in the supply depot but through the courtesy of Captain Bookey, officer in charge, we visited the kitchen of M.D. 3 district depot. In this kitchen we found about one barrel of apples in a bin. Upon examination the apples which were Northern Spy variety were found to grade domestic $2\frac{1}{4}$ " to $2\frac{3}{4}$ ". The grade defects were within the tolerance and 1 per cent of the apples were found to be below $2\frac{1}{4}$ ", whereas the tolerance for below size apples is 5 per cent.

Captain Bookey also arranged for us to visit the kitchen of the Lake Superior unit where we found five barrels of apples on hand. These apples were found to meet the requirements of domestic grade and of size $2\frac{1}{4}$ " to $2\frac{3}{4}$ " in diameter. The grade defects were within the tolerance and less than 1 per cent of the apples were found to be below minimum size of $2\frac{1}{4}$ ".

Upon our return to the supply depot a delivery of apples had been made consisting of fourteen barrels of Northern Spy domestic grade $2\frac{1}{4}$ " to $2\frac{3}{4}$ ". These apples were also examined and found to meet the domestic grade and of size $2\frac{1}{4}$ " to $2\frac{3}{4}$ ". In this lot no apples were found below $2\frac{1}{4}$ " in diameter.

Remarks

This inspection was made upon instructions from Mr. R. E. Robinson, chief, fruit and vegetable inspector, of this division, who had received a request for inspection from Lieutenant-Colonel C. S. Jones of supplies and transport, N.D.H.Q.

E.G. PAIGE,
*Assistant Chief,
Fruit and Vegetable Inspector.*

Major-General E. J. C. SCHMILDIN, recalled.

By Mr. Picard:

Q. Would this report cover the same shipment of apples as the one seen by the committee the other day? Would it cover the same shipment, the same type or the same apples that were seen by the committee the other day?—A. It covers those apples which you saw in the supply depot, and to the best of my knowledge it also covers the apples which you saw in the mess room, which I think were part of that same shipment.

Q. That was the shipment inspected by these men?—A. Yes.

Q. The ones that these people inspected come from the same shipment as those that were seen by the committee?—A. Yes.

The CHAIRMAN: I will put that report by Mr. Paige in as exhibit 6.

EXHIBIT 6—Report of Administrative Inspection of Apples at Lansdowne Park, Ottawa.

Mr. GLADSTONE: Well, that does not make them good apples.

The CHAIRMAN: There are one or two corrections that I notice should be made in the transcript. I notice that the name of the individual in the Department of Munitions and Supply who was properly described as Mr. Wilford has, through our own lack of knowledge, been incorrectly described by other names. Wherever the individual is mentioned in the report, it should be Mr. Wilford.

By the Chairman:

Q. All right, General Schmidlin. We will proceed from where we left off. Had you prepared anything or did you propose to answer questions?—A. I had prepared the greater part of a brief in connection with engineers' services which is the other main branch of my activities.

Q. Yes?—A. Did you wish to go into any investigation of the other branches or other sub-branches rather of the directorate of supplies and transport? That is in addition—transport movement and control?

Q. No, not as yet, anyway. I think possibly we had better wind up this food end of it before we got into that.—A. Yes.

Q. There were one or two questions I wanted to explore. Your department handles the supply of food to military hospitals?—A. Yes.

Q. And, in addition, to air force hospitals?—A. Oh, yes.

Q. Both?—A. Yes.

Q. What difference is there in the handling of food to hospitals than to camp units? Would you deal with that?—A. Yes. The food supply to hospitals can hardly be based on a standard ration list, or rather perhaps I should say it cannot be confined to a standard ration list, because there are special requirements for patients in hospitals which involve supplying the more difficult commodities to handle. Also, of course, the actual scale of issue of certain commodities cannot be the same for a hospital diet as it is for a healthy man's diet. As a result, there is a special list of hospital diets which is determined in the first case by the medical authorities and is approved through my office and by the deputy minister, and that contains a considerable number of commodities that are not on the standard ration list. It contains such things as fresh fruits, perishable vegetables in season, small fruits to some extent, different scales of issue of fresh milk and evaporated milk and so on.

Q. How is that indent system worked by the hospital?—A. The indent system or perhaps I had better put it this way—the system of supply for hospitals is similar to that of the unit, the ordinary unit supply, except that purchasing is not done by monthly or periodical contract, but is carried out, except for such items as are issuable from the supply depot, by local purchase. In other words, the medical officer in charge of the hospital indents for the special hospital diet that he requires, and that varies with the number and type of patients that he has in his hospital. He indents daily in the same way as the quartermaster of the unit and the supply officer then proceeds to obtain those materials for him by local purchase.

Q. By local purchase?—A. Yes.

Q. That is, the supply officer of the Department of Munitions and Supply?—A. No. Our supply officer.

Q. Your supply officer?—A. Yes.

Q. Who actually does that in the hospital? I presume the medical officer does not do that actually himself?—A. No. Each hospital, I think, has a quartermaster.

Q. I see.—A. I am not sure.

Q. Part of the unit establishment?—A. Part of the establishment of the hospital unit. The hospital, as a rule, is run and administered by a medical unit of the army, depending on the size and nature of the hospital. It may be

run by a general hospital, for example, or in some cases a casualty clearing station or some unit of that kind, and the unit itself contains a quartermaster or somebody who does the quartermaster's duties.

Q. And again I presume your department only goes as far as the supply depot, or the purchase of these supplies and delivery over to the hospital office.—A. Yes.

Q. You do not follow them into the hospital at all?—A. No. We do not follow them into the hospital.

By Mr. Marshall:

Q. You are dealing now with hospitals that are entirely under the supervision of the military authorities?—A. Oh, yes, naturally; purely military hospitals.

Q. Purely military hospitals?—A. Yes.

By the Chairman:

Q. Your catering and messing officer does not take any interest in hospitals at all, does he?—A. Not to the same degree as he does in units.

Q. Do you happen to know if he has taken any interest?—A. Oh, yes. If he is visiting a camp such as Petawawa, for example, where we have a large hospital—it is a 200-bed hospital, which is a large establishment—he visits the kitchen there too.

Q. I presume the medical officer would consult dieticians?—A. As to the actual diets, do you mean?

Q. Yes.—A. Oh, yes.

Q. Yes?—A. We do not pretend to interfere at all in the actual consist of the diets. That is a purely medical matter, as is quite easily understandable. We cannot prescribe for patients, in other words.

Q. No. Would the hospital return its containers to the depot just the same as any other unit?—A. Yes, just the same.

Q. Subject to those rules?—A. Oh, yes.

Q. Do you keep a separate record of the supplies to each hospital?—A. Yes.

Q. Do you check for comparative food costs in the hospitals?—A. I would not like to answer that question definitely.

Q. You just do not know?—A. I am not quite certain. I think I can say this much, that we do keep a cost record of the hospital diets.

Q. You do?—A. In other words, we know the average cost of hospital patients' feeding.

Q. I don't suppose you could off-hand tell us about that?—A. I am afraid not. I did not get that figure out. Would you like to have it?

Q. Yes. I think it might be interesting to the committee to see that in comparison with the ordinary cost. You can secure it at your leisure and let us have it.—A. Yes.

The CHAIRMAN: Has any other member of the committee any questions on the hospital method of supply?

Mr. PICARD: You mean food supply to hospitals?

The CHAIRMAN: Yes, for hospitals.

Mr. PICARD: I think it has been pretty well covered.

By Mr. Gladstone:

Q. The department is not concerned with Pensions and National Health hospitals such as Christie Street Hospital?—A. Yes, we are, but they do not come within my operations at all. We do not supply any foodstuffs to them. They supply that themselves and charge to the department generally on a per man day basis or something of that kind. But that is a matter that comes entirely under the adjutant general who is in charge of medical services.

Q. Christie Street Hospital, of course, has handled patients from the great war ever since the war and likewise is to-day handling some patients coming from the present war?—A. That is quite true. But those are handled, so far as I know, on a cost per man day arrangement which does not go through my hands at all.

By the Chairman:

Q. General Schmidlin, I know that you have considered this, but I just wanted to get this particular information. Would you have, in your department the building of army buildings?—A. Yes.

Q. Not air buildings?—A. Not air buildings.

Q. No. Who in your department or is it your department that determines the necessity for any building for the army? Where does it originate?—A. Well, sir, I have prepared in part a short brief on this aspect of the work, if you are ready to switch to that.

Q. Yes, go ahead.

By Mr. Marshall:

Q. Before we go on to that, am I correct in saying that there is no voucher issued covering supplies to hospitals, and that that is one difference there is between indenting for supplies to the mess kitchens and the various regiments or various units?—A. No voucher issued by whom?

Q. I think by the hospital? When I was looking over the accounts and the records of the accounts, I believe there was no voucher number—I am not quite sure but I think it was a voucher number—whatever in connection with indents for hospital rations.—A. You were looking over the hospital books, were you?

Q. No, in the——A. In the supply depot?

Q. Yes.—A. I am afraid I will have to look into that point. There should be.

Q. I was wondering if the method of ordering supplies for the hospital was the same as the method used in ordering supplies for a unit, and if there was a difference, where did it lie? They were not able to show me in the office when we were there in the few minutes that we were there.—A. Could I make a note of that and give you the answer to-morrow?

The CHAIRMAN: Yes. Enquire into that.

The WITNESS: I think that would be better, because I would like to get the information from the director of supplies and transport in order to be precise.

The CHAIRMAN: Yes. It is better to be correct.

By the Chairman:

Q. General Schmidlin, there is one question I wanted to ask you. In Ottawa city what hospitals are there under your supervision or departmental control?—A. There are two.

Q. Where are they?—A. One at Porter's Island. Porter's Island is on the Rideau. It is an island in the Rideau river near its mouth, near the National Research Council building—just up the river from that.

By Mr. Marshall:

Q. What size is it?—A. There are, I think, 75 beds in there now.

Q. That is a full military hospital unit?—A. That is a full military hospital unit, which is administered, I think, by a casualty clearing station.

By the Chairman:

Q. And the other?—A. The other is a convalescent hospital which is out in the Grey Nuns Novitiate at Hurdman's Bridge.

Q. Where did you say?—A. At Hurdman's Bridge, down at the south-eastern corner of the city.

By Mr. Marshall:

Q. Are those hospitals owned by the government or are the buildings rented?—A. The Porter's Island hospital is a hutted hospital. In other words, we built the buildings there, with the exception of one building, I think—one or two buildings, possibly, which were there before; that having been used by the City of Ottawa, if I am not mistaken, as an isolation hospital for certain types of disease.

Q. And the other one?—A. The other one was a nunnery.

Q. And rented or what?—A. Which we have rented from the Grey Nuns for the duration of the war.

Q. It is rented?—A. It is a rented building.

Q. You do not know what the rental costs are?—A. I could get that for you. Would you like to have that?

Q. Yes. What is the size of it?—A. That one has no definite size. It was simply a building which was taken over. I am afraid I will have to look it up to see how many beds there are in it. I could give you the size of the hospitals that we build, but in these rented buildings, the actual size is rather an indeterminate matter. I would have to look it up to see. As a matter of fact, I will have to ask the medical people to see how many patients they can handle there.

By the Chairman:

Q. Those are the only two in Ottawa city?—A. Those are the only two in the Ottawa city area.

By Mr. Marshall:

Q. Have you any agreement with the General Hospital or any of the hospitals which are operated by the city? Have you any agreement?—A. That would not come in my jurisdiction.

The CHAIRMAN: It would be under the medical services.

Mr. MARSHALL: I see.

By the Chairman:

Q. All right, General Schmidlin. Go ahead with the memorandum that you have prepared.—A. Mr. Chairman and gentlemen, this memorandum refers to what is known as The Directorate of Engineer Services and Works, which is the second major division of my branch.

MEMORANDUM DEPARTMENT OF NATIONAL DEFENCE ENGINEER SERVICES AND WORKS

1. The quartermaster-general is responsible, under the provision of King's regulations (Canada) for the construction of all buildings and defence works required for the operation of the army in Canada, and also for the construction of any works jointly used by both the navy and army, such as coastal magazines.

2. For this purpose, the Q.M.G. branch includes a directorate of engineer services, organized for the war period as shown in the attached chart.

That is the same chart as was presented to the committee on Friday.

By Mr. Marshall:

Q. Branching out into this other side?—A. Branching out into the left hand side of the chart.

The CHAIRMAN: This is exhibit 1.

By Mr. Marshall:

Q. Who is in charge of this?—A. At the present moment the appointment of director of engineering services is vacant, through the death of the last incumbent on duty. It will be filled within a few weeks now. An appointment is in process of being made.

Q. Who has been doing that?—A. Since the death of Colonel Chambers, who was the last Director of Engineer Services, the work has been handled by the assistant director, Colonel Chetwynd. I was unable to bring Colonel Chetwynd with me this afternoon as he is on duty in the west.

By the Chairman:

Q. All right General Schmidlin, go ahead.

3. Under the Director of Engineer Services there exists in each military district a district engineer officer, who is a commissioned officer of the Corps of Royal Canadian Engineers, and who is on the staff of the district officer commanding. All district engineer officers, in addition to being qualified army officers, are also required to be qualified engineers.

I might add in there, qualified engineers in the accepted civil significance of the term.

4. Each district engineer officer is provided with one or more assistants, known as works officers, who are also qualified commissioned officers of the Royal Canadian Engineers. The number of works officers depends on the size and nature of the military district, and on the volume of work to be handled.

Each district engineer officer is also provided with a detachment of N.C.Os. and men of the R.C.E., who are specially trained for such duties as works supervision, accounting, store-keeping and clerical work. A number of artisans of the building and mechanical trades is also included.

6. District engineer officers correspond directly with the director of engineer services on all matters of a purely technical character. On all other matters they act as staff officers to the district officer commanding who signs all correspondence with National Defence headquarters.

7. The duties of district engineer officers and the methods to be employed in carrying out their work are fully set forth in "Instructions for Engineer Services, Canada", a copy of which is attached.

By Mr. Gladstone:

Q. What would be the extent of the number of personnel commencing at 3? District engineer would be 1; how many others are there?—A. In a detachment?

Q. Yes.—A. They vary quite largely depending upon the district. In a large district and in the maritime province districts of Nova Scotia and British Columbia the detachments at the present time will have the strength of anything up to 10 or 12 officers and 100 or so non-commissioned officers and men.

By Mr. Marshall:

Q. Where are your headquarters in Ottawa?—A. In the Canadian building on the next floor above the one I am on myself.

The CHAIRMAN: The whole branch is located there.

The WITNESS: Yes, the whole branch is located there.

By Mr. Marshall:

Q. What would be the size of your staff at headquarters?—A. The size of our headquarters staff? These are approximate figures—I can give you exact ones if you want them—but speaking from memory the number of officers there at the present time is, I think, six, and there are in addition to the officers some 40 odd non-commissioned officers and men and about 40 civilians, civil servants.

Q. Any women stenographers?—A. Yes. These numbers include female stenographers.

The CHAIRMAN: All right, General.

The WITNESS: I have a book here which I can file with the committee. Unfortunately, I could not provide a copy for every member of the committee, I have four copies. Briefly it is the instructions for engineering work.

Book "Instructions for Engineer Services, Canada, 1936" marked EXHIBIT 7.

The next section deals with the actual character of the work and how it is initiated.

By Mr. Gladstone:

Q. What did you say as to the need for extended staff now compared to the earlier days of the present war? What would you say relative to the future needs of extended staff?

The CHAIRMAN: I just wonder—I do not want to interrupt any member of the committee—but I wonder if that is not a matter which is being inquired into by committee No. 3. It is going into that matter in detail.

The WITNESS: I could give you a reply here which I think might be illuminating: it is that up to the commencement of the war the largest amount expended in Canada on engineering services in any one year was of the order of about \$5,000,000 in one year; the expenditure on engineering work in 1940 aggregated over \$30 million.

By Mr. Marshall:

Q. What is the prospect for the coming year?—A. It is much reduced. The expenditure for this year will only be of the order of \$9,000,000 or \$10,000,000 or thereabouts.

Q. That is what you requisitioned for, is it?—A. That is what we asked for in the estimates for 1941-42.

Q. About \$9,000,000?—A. About \$9,000,000 if I remember correctly. I can give you those figures exactly if you would like to have them.

Q. I think we might as well have them: the figures for 1939-40; the figures for 1940-41; and the estimates for 1941-42 from now until December and then around until April of 1942; would not that be right?—A. Yes.

Q. There was no extensive building program prior to the war, was there?—A. No. I might include in here for purposes of illustration the largest annual estimate that we dealt with prior to 1939-40.

The CHAIRMAN: Very well General, go ahead.

The WITNESS: Works projects may be initiated in two ways:—

(a) By the D.O.C. of a military district

(b) By National Defence Headquarters.

Projects of type (a) are usually of a minor extent, and arise from local requirements for accommodation of troops, repairs and improvements to existing works, and so on. These projects are completely prepared by the district engineer officer, and, unless the value of the project is less than \$250 are then forwarded to National Defence headquarters, with any plans and specifications

required, and with an estimate of the cost, together with a recommendation as to whether the work should be done by day labour or by contract. If the project is not one for which a specific provision of funds has been made in annual estimates, a request for an allotment of funds is also included.

By Mr. Marshall:

Q. That brings up this question. Any contract over \$5,000 has to receive your approval, has it not?—A. No. Any projects of over \$250 in value must have the approval of the deputy minister or the minister—that is, approval in principle—approval to carry out the project. A project that is over \$5,000 in value, if it has not been included in the annual estimates and specifically mentioned, has to be approved by the war committee of the cabinet; it is taken into the cabinet by the minister.

Q. An amount less than \$250 which might have to be spent on a project would have the local engineer's authority to go ahead with it?—A. No, the district commanding officer. Any small job that won't go more than \$250 can be approved and carried out under the authority of the district officer commanding, and nobody else.

Q. Up to what figure?—A. Up to \$250.

Q. On one project?—A. Yes, on one project.

Q. What is the total limit?—A. His total limit is the amount of money which is allotted to him from annual estimates for maintenance and upkeep of the property in his district.

The CHAIRMAN: And that would differ with each district.

The WITNESS: Yes, that would differ with each district. There is no definite limit to that, but an allotment, or an allowance—perhaps that is a better word,—is made to each district for those small incidental works.

The CHAIRMAN: Go ahead General.

The WITNESS: Projects of type (b) are usually of large extent, and are initiated at the request of the Chief of the General Staff, or of the Master-General of the Ordnance. They include the construction of complete barracks or cantonments, coast defence works, storage or repair depots, magazines, etc.

By Mr. Marshall:

Q. You have nothing to do with respect to the large matters?—A. That refers to the initiation of projects. In other words, the question that Mr. Graham was asking a short time ago: who starts those things off? Who says they are required?

The CHAIRMAN: Those are under his department?

The WITNESS: They all come under my branch. Would you like me to expand on this matter?

The CHAIRMAN: Yes, please.

The WITNESS: Here is a typical example carried out last year. For strategic reasons the general staff decided that a certain formation, a fairly large formation of troops should be held in the maritime provinces; the general staff also decided that that formation should be located in two places, one part near Saint John and the other in Nova Scotia.

The CHAIRMAN: That is not giving away any military information at all, is it?

The WITNESS: Oh, everybody knows about it. We are not mentioning any number or anything of that sort. It is common knowledge. One part of it was to be at or near Saint John and the other part was to be in the vicinity of Truro, Nova Scotia. When that decision had been made the Chief of the General Staff sent me a note telling me what was proposed and asking me to find

locations where those two forces could be placed, giving me roughly the numbers that would be involved in the two forces. From then on it became my responsibility to find or to have a location found, which I did through the medium of the district officers commanding in those two military districts, who, in turn, used their district engineer officers and their other staff officers as well to make the reconnaissance of possible sites and to forward reports.

While that was in process of being done I received a further request from the Chief of the General Staff to have these camps prepared as early as possible; therefore, as soon as the reconnaissance reports came in we immediately asked for authority from the minister to commence construction, giving him a rough estimate of what we thought the camps might cost and other information relative to them; and at the same time, as soon as he had given approval we ordered the work to be commenced. In both cases, in order to get it done as quickly as possible, the work was done by day labour, the district engineer officers supervising the jobs completely, laying out the camps, finding the labour and doing everything in connection with the work. But the initiation in that case as in all others came from the branch of the service concerned, that is the branch which required the work to be done for its purposes, and as I said here, generally speaking, those requests come either from the general staff or from the Master-General of the Ordnance.

The CHAIRMAN: The Master-General of the Ordnance—his projects would be, of course, the housing of ordnance schemes, and the National Defence department would deal with the housing of personnel and the accoutrements of the army. I take it that with the Master General of the Ordnance the building projects with which he would be concerned would be arsenals?—A. Oh yes—not arsenals, no; because arsenals are now handled by Munitions and Supply.

Q. Separately, oh yes?—A. That section of the ordnance branch now comes under Munitions and Supply. Now the Master General of the Ordnance will demand storage depots, work shops for maintenance, motor vehicle or armoured car housing accommodation and magazines for the storing of ammunition, and explosives—those are the principal requirements.

By Mr. Gladstone:

Q. Buildings for troops in training would be under your department?—A. Yes, that again would be done exactly in the same way as I explained in connection with the Maritimes where it was initiated as a demand from the Chief of Staff to me to build them at the earliest possible date to have them completed by a certain date—hutments to house 250, 500 750 or 1,000 men as the case might be, located at such and such points which the Chief of Staff would himself select.

Mr. GLADSTONE: Will some other occasion arise for discussing the cost of army training huts?

The CHAIRMAN: Oh yes; but there, again, I take it that the actual contracting and building is done by the Department of Munitions and Supply.

The WITNESS: Do you want to go into the question of costs? If so, you will have to talk to me.

The CHAIRMAN: I think we will let General Schmidlin complete his presentation here to-day, because this is opening up a new subject. You go ahead, General; we will see how far you get along in satisfying our curiosity with the presentation you have here and then we can develop it from that at any rate.

The WITNESS: I was dealing with the larger projects. Plans and specifications for such projects are prepared by the staff of the director of engineering services at National Defence headquarters, information as to the site, nature of the ground, foundation conditions, water supply, sewage disposal, availability of electrical power, and so on, being obtained from the district engineer officer in whose area the project is located.

By Mr. Marshall:

Q. I notice you say here, "plans and specifications for such projects are prepared—information as to site, nature of ground, foundation conditions, water supply, sewage disposal, availability of electrical power, and so on—is that the instruction you get from defence headquarters?—A. No. This is the organization we are referring to here.

The CHAIRMAN: General Schmidlin is himself a member of National Defence headquarters staff.

The WITNESS: That is correct.

By Mr. Sissons:

Q. As to choosing between sites, are these factors all that are taken into consideration—nature of the ground, foundation conditions, water supply, and so on? Are those the factors that would govern between alternative sites?—A. In a general way, that is true. All things being equal the site which presents the least difficulty from the construction point of view is the one to be chosen.

Q. Then these factors—I see you have given a half a dozen of them there—they would govern in the choice of alternative sites?—A. Just so, except, of course, that that covers the choice of a site in detail. It does not govern the location which is generally determined by other considerations. In other words, if I am asked by the Chief of Staff to prepare a camp for 1,000 men at a given locality within say five miles of a given town; or possibly they may be more definite than that in their requirements and I find that within that radius there is no really suitable ground I still have to go through; in other words, sometimes we have to put these projects in under very difficult conditions because the other requirement which carried a greater weight—necessity of location being fairly well defined by the Chief of Staff—

By Mr. Marshall:

Q. What would some of these other considerations be?—A. Strategic requirements for one thing.

Q. If you are called to use a site within five miles of a town would that be because of the strategic position that they told you to do so?—A. By the word "strategic" is meant not military strategy in the ordinary sense of the term; perhaps we would define it better by using the words "operational requirements" rather than strategic.

By the Chairman:

Q. Of course, there would be a certain strategic consideration to be taken into account?—A. Yes. In the case of coast defence works, for example, the site is governed in detail by strategic requirements, and that has very frequently involved extremely difficult conditions from the construction point of view. The coast defence work must be put in where it will function, and the fact that there is no water, that the whole thing is on solid bare rock, perhaps there is no easy way of sewage disposal, there might not even be a road into it, there might be no power within many miles; these conditions then bear no weight at all against the strategic consideration which is the only one which counts. But if there is any latitude at all in the operational requirements then these factors that I have mentioned are the ones that we look at first in choosing a site. As an illustration of that, we are at the present time completing the plans for a very extensive project—which I cannot mention to you in detail because it is a secret matter—however, it is an extensive project which is located for operational reasons in a very difficult part of the country from the construction point of view, but we have a certain amount of latitude in choosing the exact location where our buildings and things of that sort are to go; and we are fixing the choice in detail of that site on these factors—water supply, sewage disposal, availability of electric power, etc.—

The CHAIRMAN: All right, General.

The WITNESS: Approval of the project as a whole is obtained from the war committee of the cabinet as soon as an approximate estimate can be made, unless the project is one which has been specifically mentioned in estimates.

9. Regardless of the way in which a project may have been initiated, there are two methods by which it may be carried out:—

(a) By contract;

(b) By day labour.

(a) The normal practice is to use the contract method. Under this, plans and specifications as prepared by D.E.S. are forwarded to the Department of Munitions and Supply if the estimated cost is over \$5,000.00. For similar projects, under \$5,000.00, the usual practice is to have tenders called locally by the district engineer officer acting for the District Officer Commanding. Projects in this low-value class will usually have originated in the military district.

By Mr. Marshall:

Q. I don't suppose you have any contracts at the present time which are being carried out by day labour?—A. Oh, yes; there are a number of comparatively small projects which are being carried out by day labour at the present time.

Q. From the standpoint of cost, do you find it economical to do it that way?—A. Our experience has been that there is nothing to choose in point of economy. The costs arrived at in day labour work are practically identical with those in contract work; and in point of speed and convenience in operation there is a great deal in favour of day labour work.

Q. That is a rather interesting admission in view of the fact that there are so many people unemployed at the present time.

By Mr. Sissons:

Q. In day labour projects you would have a resident engineer in charge?—A. Oh, yes. But on that point, when we do a job by day labour, we employ the same people the contractor would employ.

By the Chairman:

Q. What happens is that your department simply takes the place of the contractor?—A. We take the place of the contractor, that is all.

By Mr. Marshall:

Q. And you do your own supervision?—A. We do our own supervision. I would just like to add there that normally, on any project of any real magnitude—let us say from \$50,000 up—as it were a rough dividing line—we employ the contract system, unless there are factors which make it necessary or advisable to cut out preliminary delays in order to get the contract under way. I deal with that a little lower down, as a matter of fact.

When tenders have been received by Munitions and Supply, they are scheduled and sent to Director of Engineer Services for review and for recommendation of the most acceptable tender, which is normally the lowest received. They are then returned to Munitions and Supply, together with a copy of the financial encumbrance, which is the formal allotment of funds for the project.

Munitions and Supply then pass the necessary order-in-council authorizing the award, and notify the contractor to proceed.

From this point, the contract passes under the control of the Director of Engineer Services, who is responsible for technical supervision, the inspection of materials, the passing of contractor's progress accounts, and all other duties connected with superintendence.

For this purpose, the District Engineer Officer uses his works officers as far as possible. Should the number of contracts in hand be beyond the capacity of the D.E.O.'s staff, arrangements are made for the temporary employment of civilian engineers or architects.

As a general rule, the ordinary type of lump-sum contract is used. In cases where secrecy is necessary, as on coast defence works, Munitions and Supply are requested to restrict the bidding to a small group of well-known contractors. When the greatest possible speed is essential, cost-plus-fixed fee contracts are requested.

Q. In handling all types of contracts, cost plus and others?—A. We have handled all types of contracts.

Mr. MARSHALL: Mr. Chairman, is it within our purview to investigate all these various types of contracts?

The CHAIRMAN: Oh yes, under the general heading of army and navy building construction.

The WITNESS: (b) In the case of small projects, particularly when they involve simple types of work, day labour is frequently employed. The reasons for this are, first, that it decentralizes the work, and second, that it obviates the time required for preparation of contract plans and the calling of tenders. The number of small projects done in this way is large, but their aggregate value is normally small.

It happens occasionally, however, as, for example during the summer of 1940, that circumstances are such that the carrying out of some large-scale projects by day labour becomes necessary. The circumstances in these cases are, as a rule, that the time available between the initiation of the project and the required date of completion is so short that the negotiation of any form of contract and the organization of the work by the contractor would consume the greater part of it. As an example, the Minister of National Defence gave orders on June 1, 1940, for the construction in the five large central training camps across Canada of sufficient hutments to house about 35,000 men of the active army, and to have them occupied by June 25, just a little over three weeks. The reason for this was that there was a shortage of tents and it was necessary to release the tents occupied by the active army in order to make them available for reserve army training before the end of June. This project, which had a total value of about \$4,000,000 was completed within the specified time of less than four weeks by day labour. It was feasible only because there was already a well-trained works organization in each of the large camps, so that construction was actually commenced within twenty-four hours from the time the minister's order was issued.

By Mr. Marshall:

Q. Now, would the minister request the 35,000 men to be accommodated—have you sufficient accommodation for them now?—A. We have very much more than that now, this was on the 1st of June, 1940.

Q. Then, these 35,000 men were extra?—A. No. I had better explain that, perhaps. At that time there were about 35,000 men of the active army in the large central training camps. They were all under canvas. We had built no buildings for them except cook houses and ablution buildings—wash rooms, in other words. The minister was very anxious that the non-permanent active militia as it was then called, should go into camp for its ordinary annual training and it was found that there was not enough canvas to take them in because the

M.G.O.'s figure for canvas that was available was only sufficient to take care of in the neighbourhood of 35,000 men. Thus there were not enough tents, and there was no way in which tents could be obtained at that time. Therefore, the minister gave me an order on the 1st of June to build wooden hutments to house these 35,000 men which would leave canvas enough to house 35,000, and that canvas would then be used by the N.P.A.M., in the same camp as a general rule, for their short period of summer training, and that training was to begin—it began actually on the 1st of June—and the peak requirements would occur about the 1st of July. The orders were that the hutments had to be ready for active force men by the 25th of June.

In a similar manner, the 39 camps for the training of N.P.A.M. recruits were occupied less than six weeks from the date on which their locations were finally approved. This period included the time taken for the selection of the actual camp sites. Eleven of the camps were built by contractors who were already engaged on government work in the near vicinity, which obviated the necessity for negotiation of new contracts. As all materials were supplied by Munitions and Supply, these contracts were, in effect, labour contracts only, and were carried out in practically the same manner as the day labour work.

This project had a total value of about \$9,000,000. The third large project carried out in 1940 by day labour was the construction of camps for a total of one division, about two-thirds of which was to be located near Truro, Nova Scotia, and the remainder at Sussex, New Brunswick. In this case, again, the time allowed between the decision to build and the date set for troops to move in was so short that construction had to commence without any layout plans, surveys of sites or other preliminary investigations, these operations being carried out while building was actually under way.

That was one case in which no formal contract whatever could have produced the result.

Conditions governing the larger projects for 1941 are more normal. It has been possible to obtain reasonable notice of requirements, and to plan the projects. As a result, all work of a major character is being carried out under normal lump-sum contracts, except for some coast defence works, on which selected contractors are working on a fixed fee basis.

Paragraph 10 deals with materials and methods of obtaining them and reads as follows:—

10. Materials for all day labour projects, and also for labour type contracts, are purchased by the Department of Munitions and Supply, which is notified of the approval of every project, its estimated cost and the estimated cost of the materials required. Requisitions for the material are then placed by district engineer officers with local purchasing agents of Munitions and Supply, one of whom is located near the headquarters of each military district.

By Mr. Marshall:

Q. You purchase materials as close to the project as possible?—A. As a rule, yes. That did not apply to some classes of material during 1940. The procedure for purchasing lumber last year, for example, was a complete departure from this in that a timber controller was appointed and he purchased or optioned all the lumber that was then in sight in mills and dealers' yards all the way across the country. He then allotted that to these various projects on requisition by ourselves or by the air force or by the Department of Munitions and Supply—they were also doing extensive building. He allotted it according to his own discretion. We had nothing whatever to do with that at all. In that case, of course, the material might have come from anywhere.

By the Chairman:

Q. General Schmidlin, as I understand the method, then, the project having been originated either in the district officer commanding's office or in the Department of National Defence, your department prepares the specifications?—A. Yes.

Q. And selects the site and it, in due course, sends these specifications to the Department of Munitions and Supply who advertise for tenders, if it is being done in that way?—A. Yes.

Q. The tenders are then sent to your department to be examined, by your engineering officer?—A. Yes.

Q. And then they in turn recommend the successful tender?—A. Yes. We recommend what is called the most acceptable tender.

Q. With regard to the decision of acceptance of the most successful tender, is your recommendation the final say in that?—A. No. The final say rests with the Minister of Munitions and Supply. He does not have to accept our recommendation.

Q. Mr. Sheils who appeared before the larger committee gave us an outline of the practice in connection with a tender, the numerous checks and counter checks. Your recommendation would be only one of the things taken into consideration in the decision of the department under the minister, as to who that tender would be let to?—A. Right.

Q. That would be right?—A. Yes.

Q. Your department being considered to be the one best fitted to discharge that duty, it would naturally be given considerable weight, I would presume?—A. Oh, yes. That is only natural. Actually in 95 per cent of all cases, I would say the lowest tender received is the one recommended.

Q. Speaking from your standpoint now, if it is not the lowest tender, there are reasons why you consider it is not the most acceptable?—A. If we recommend acceptance of anything but the lowest tender, we must give them our considered reasons for making that recommendation.

Q. And they in turn consider those reasons which you advance?—A. They in turn consider those reasons and they make the decision and notify us.

Q. That decision having been reached, the Department of Munitions and Supply notify the successful tenderer?—A. Yes.

Q. But I take it from this that the contractor is under your departmental supervision?—A. That is correct.

Q. So that the Department of Munitions and Supply drop out of the picture except for the buying of the necessary materials, etc.?—A. On a lump sum contract—that is, the ordinary every day type of contract—Munitions and Supply drop out of the picture almost entirely as soon as they have awarded the contract, drawn up the contract agreement, had it signed by the contractor and so on. They come back into the picture only if we request additional work to be done which will involve an extra on the contract, or if the contractor claims additional payment for any reason, in both of which case the matter is referred to Munitions and Supply. If it is a simple case of additional work—that is, something that has been left out of the plans and which we agree is necessary—it is a pure matter of form. We tell them that we recommend that this extra be allowed and there is never any question about it.

Q. They negotiate, though, the new change in the contract with the contractor?—A. Those things do not involve a change in the contract. Ordinary small extras do not involve any change in the contract agreement. They are provided for in the standard contract agreement form. In other words, if any additional work is requested of the contractor over and above what is shown in the plans and specifications, he will be paid for this work under certain given conditions.

Q. And those conditions are already set out in the original contract?—A. Yes.

Q. With respect to other contract projects, where the work is done by day labour, Munitions and Supply do not come into that picture at all?—A. They buy the material.

Q. That is all?—A. Yes.

By Mr. Marshall:

Q. What projects are under construction in or near the City of Ottawa at the present time?—A. The nearest that I can think of at the moment is in Brockville.

By the Chairman:

Q. What is being done there?—A. We are building a number of additional buildings there at what was originally one of the thirty day training centres, converting it into the Eastern Canada Officers' Training Centre.

By Mr. Marshall:

Q. Where is this?—A. At Brockville.

Q. At Brockville?—A. Yes.

Q. You have no building projects in the city here?—A. There is nothing in the City of Ottawa or anywhere in the near vicinity at all.

By the Chairman:

Q. With respect to Brockville, General Schmidlin, is that a matter of hutments?—A. Those are hutments.

Q. And that project is being carried out at the present time?—A. That project is being carried out at the present time by day labour.

Q. By day labour?—A. Yes.

Q. Under your departmental supervision?—A. Under our departmental supervision.

By Mr. Marshall:

Q. Can you recall if there are any projects sheduled for the City of Ottawa in the coming year?—A. There is nothing at all in the City of Ottawa.

By Mr. Sissons:

Q. What organization would be set up if you had a project that you were carrying out by day labour?—A. On the work?

Q. On the work, yes.—A. An engineer officer would be in charge; and he would have one or more assistants, also engineer officers, if they are available, depending on the size of the project. He would have also his clerical staff, book-keeping staff, most of whom again, if they are available, are engineer personnel—that is, uniform personnel. He would have time-keepers, store-keepers, materials checkers and all the rest of the normal organization that is required on a job of that kind, who would be either military personnel or temporarily employed civilians. For time-keeping, stores and materials checking and that sort of thing, we usually employ civilians.

Q. Who would supervise the resident engineer in this work?—A. His district engineer officer.

By the Chairman:

Q. General Schmidlin, will you please tell me this; would your department purchase a site if a site had to be purchased?—A. Yes.

Q. And would your department do the levelling off or any engineering work that had to be done on the site to make it a suitable place for the building?—A. Yes.

Q. That is done by your people too?—A. Yes.

By Mr. Marshall:

Q. Your department makes these surveys, does it? For example, I understand from the press that a survey was made in British Columbia recently. Is it your department which makes that survey?—A. It is the Department of National Defence which makes those surveys. I am not absolutely sure about this one that you are speaking of at the moment. But we have in the Department of National Defence, but under the general staff branch—not under my branch—a surveys section. It is called the geographical section of the general staff branch, and it is a fully organized, highly trained, highly skilled and very well equipped surveys organization, for the production of maps and plans of all kinds.

By the Chairman:

Q. General Schmidlin, I told you our intention was to get the background, and see how the background safeguards are being applied in actual practice. You could supply us with the specifications, the estimated cost and particulars as to how the Brockville project was being carried out, could you?—A. Very easily, yes.

The CHAIRMAN: I think that is all we want of General Schmidlin to-day. There are one or two private matters of interest to the committee which we are going to take up.

By Mr. Gladstone:

Q. I was just going to ask this question. In the case of contracts, who authorizes payment of the progress cheques?—A. In the case of an ordinary lump-sum contract?

Q. Yes.—A. Those are authorized by my branch. The engineer in charge checks the contractor's progress account, which is made up on the basis of quantity and prices or percentage of completed work, depending on what the work is like. He forwards that account, amended if he considers it fit to do so, to his own district engineer officer at military district headquarters, and he in turn forwards that to Ottawa if the accounts are being paid from Ottawa, or forwards it to the treasury officer at district headquarters if the accounts are being paid here in the district.

The CHAIRMAN: Are there any questions, gentlemen? Can we let the General go for the time being? It may be that we will need him later. Thank you very much, General Schmidlin. We appreciate very much the interest you have taken in the presentation.

Mr. Sissons: We are through with the General now?

The CHAIRMAN: Just for the time being.

Mr. Sissons: Will we have him back again?

The CHAIRMAN: Yes, in all likelihood. As I said, we will have to consider our progress, and it will likely be that we will need him.

The WITNESS: You will let me know?

The CHAIRMAN: Yes.

Mr. GLADSTONE: It could be easily arranged, General Schmidlin, for us to visit these hospitals if we wanted to do so and see the operations of a military hospital? That could easily be arranged, could it?

The WITNESS: Yes.

The CHAIRMAN: It could be done through the medical services branch, I presume.

The WITNESS: Yes.

Mr. MARSHALL: That would be a different branch.

The WITNESS: Your actual arrangement to go through a hospital would have to be made with the medical services. But there would be no difficulty whatever. I would suggest, if you have the time, that you would get a better idea of the hospital organization, operation and everything else connected with it, by going to Petawawa. It is only two and half hours from here by car, and that is a properly built and properly equipped hospital. This place down at Porter's Island is a make-shift.

The CHAIRMAN: And is recognized as such.

The WITNESS: It is built up out of bits and pieces and it is not a typical hospital by any means—not that there is anything wrong with it any way, but it does not illustrate the sort of thing we have in almost every one of our centres.

The CHAIRMAN: Thank you very much, General.

The WITNESS: If you do not mind, I will take those three little red books, because they are precious.

The CHAIRMAN: Yes. We have kept one.

The WITNESS: I am leaving one with you for the record.

The CHAIRMAN: We now have some matters in connection with the sub-committee to consider, and I do not think we need the reporter.

At the conclusion of discussion, the sub-committee adjourned to meet again at the call of the Chair.

WEDNESDAY May 21, 1941.

The Sub-committee met at 4 o'clock. The Chairman, Mr. R. T. Graham, presided.

Members Present: Messrs. Graham, Gladstone, Harris, Mayhew, Picard, Sissons.

The CHAIRMAN: We have a quorum now, gentlemen. We have with us today Mr. W. E. Wilford and Mr. F. M. Covert.

W. E. Wilford, Chief of Commissary Division, Called:

By the Chairman:

Q. Your official designation in the Department of Munitions and Supply is what?—A. Chief of the Commissary Division.

Q. Just in order that the committee may be informed in this regard, may I ask how long you have been in the department?—A. I joined on November 1, 1939.

Q. And you had previous experience in commissary matters?—A. Well, I had been with the C.P.R. since 1910.

Q. Since 1910?—A. Yes, except for the time I have spent with the government, which is considerable.

By Mr. Mayhew:

Q. You came through the purchasing department?—A. Yes. I was with the purchasing department.

The CHAIRMAN: Mr. Wilford happened to mention to me yesterday that he had 7 years with the government.

The WITNESS: Of the 30 years, I have spent approximately 25 per cent in government service.

The CHAIRMAN: So he is quite familiar with the C.P.R. and our government. I have asked Mr. Wilford, as the committee knows, to present the methods used by his department in handling requisitions received from the quartermaster-general's department in connection with food supplies for the army or air force.

By the Chairman:

Q. You have a written statement, Mr. Wilford?—A. Well, I was not going to read it.

Q. I think it would be best to read it. You have not any copies?—A. No.

Q. If you will read it, we will ask questions later.—A. Very well.

The Department took over the buying of food supplies in November, 1939. Before this it was handled by the director of contracts, Department of National Defence, and contracts for the whole dominion were let from Ottawa for periods of six months at a time. That is, twice a year they let the contracts.

While this arrangement was undoubtedly satisfactory during peace times, it would not be practical during war conditions on account of the much larger number of supply depots and camps to be provisioned and the uncertainty of the markets. It was therefore decided to reduce the terms of the contracts to a minimum, and with one or two exceptions all contracts were to be made for a period of one month. It was also decided it would be necessary to open branch offices, preferably in each military district, and this was done with the assistance of the two railways, as already explained to the committee by our deputy minister.

I think he covered that.

Here I wish to say that Mr. Sheils, our deputy minister, has asked me to mention to you that he stated before the committee, in reply to an enquiry that the railway purchasing agents did not receive a salary from this department for their services, and this was correct. Inadvertently—

By Mr. Harris:

Q. You probably get your expenses?—A. They are paid their out-of-pocket expenses.

Q. That is to say, they get no salary; they get expenses?—A. Yes.

Q. For example, I rather think the witness lived in Toronto some few years ago. Presently he is of necessity living in Ottawa.—A. These, of course, are branch purchasing agents of the railways; that is, carrying on our branches in Winnipeg, Calgary and so on.

Q. But you moved from Toronto?—A. Yes. As far as I am concerned, I am getting my salary.

Q. It is Toronto's loss, Ottawa's gain.—A. Thank you.

The CHAIRMAN: As a matter of fact, Mr. Wilford tells me he spends most of his time still in Toronto, owing to the peculiar circumstances of Toronto purchasing.

The WITNESS: I spend all but two days there.

By the Chairman:

Q. All but two days of the week are spent in Toronto?—A. Yes. Continuing:

Inadvertently, however, he omitted to mention that after these branch offices had been operating for some months and it was realized that their duties were much heavier than was originally anticipated, it was decided to give to the railways an allowance or honorarium of \$100 per month for each of the large

offices and \$50 per month for the small ones, which money was to be shared as they thought fit between the purchasing agent and his railway staff to compensate them in some degree for the extra burden which had been imposed on them on our account. Mr. Sheils asked me especially to mention that to you because he had omitted it.

Mr. HARRIS: As long as they make that return in their income tax form, we are all satisfied.

The WITNESS: They do a lot of overtime now, a great deal of overtime, and that was compensation for it. To continue:

All contracts are made on requisitions or contract demands as they are called, submitted by the quartermaster-general, one for each supply depot, and covering estimated requirements for a three months period. With the exception of contracts for bread and in some instances for milk, which may cover a period of three months, all contracts are made for one month only, to avoid so far as possible the necessity of the contractors having to gamble on future markets.

By the Chairman:

Q. By the way, is that true of tea and coffee?—A. Yes. That is correct. Continuing:

Contracts are called strictly on the basis of regulations, as already explained to the committee by our deputy minister. In all cases the lowest tenders are accepted, unless there is some good and sufficient reason for not doing so.

By Mr. Mayhew:

Q. Does it generally follow that the men who had the contract in May or April, for instance, would get it in June? Does it go that way or is there any change in the price?—A. Each month is entirely separate.

Q. I am speaking of staple commodities now.—A. Each month is entirely separate. Separate tenders are called; if the same man is lucky to be the lowest bidder again, or unlucky enough, sometimes—why, he gets it.

By Mr. Harris:

Q. Or in the case of three large suppliers, all equally able to provide the supplies, all of whom might sit in at an association meeting from which the press would be excluded—it would be a secret meeting—would you give it to Jones this month, Brown next month and Smith the next month?—A. We would alternate it in that case.

Mr. MAYHEW: The price would be all the same?

The WITNESS: Unless there would be other contracts given to one of them. One of them may get four or five other contracts and we would feel he might not be entitled to more business because there was another man with just as good a price as his. Locality comes into it too. If the firm is located in the immediate district, for the sake of our convenience and if it is fair to the firm, we would give him that business.

By Mr. Mayhew:

Q. How about firms with subsidiary companies?—A. I have not come across any cases that I remember of that sort, except one packer who owns and operates another packing house.

By the Chairman:

Q. I think Mr. Mayhew's point would be this. Suppose, taking the extreme case, only three companies tendered? Would you check to see if the whole three were different in name but in ownership the same?—A. I think we know the firms.

Mr. MAYHEW: I have very definitely in mind three different names, operating in the one city. The head company is across the line. They are asked at different times to tender, and just what Mr. Harris described has happened. This month one fellow gets it, another month another fellow gets it, and another month another fellow gets it, but really you are giving it all to the one. It does not matter who gets it, if there is any profit in it it goes to the same fellow, and you are not getting competitive bids.

The WITNESS: No. As a matter of fact, it is very rarely that we get two prices exactly the same; it is very exceptional.

The CHAIRMAN: In the specific case to which you refer, Mr. Mayhew, is it in food supplies?

Mr. MAYHEW: Yes, it is.

The WITNESS: I do not know who it would be.

Mr. HARRIS: I should like to make an observation just at that point, if I may. The witness says that he very rarely finds the price is exactly the same. In the case of ordinary table salt, I do not know who sets the price, but if the witness asks Canadian Industries Limited for a price, the Nicholls Chemical Company for a price and the Windsor Salt Company for a price, you will find all the prices are precisely the same, whether they know the salt is going to be delivered in Toronto, Camp Borden, Oshawa, Long Branch, Deseronto or where. The price would be estimated there, so much in Toronto, so much in Long Branch, so much in Camp Borden, within a tenth of a cent per pound. That condition obtains. There is nothing you can do, Mr. Chairman, about it. They control it. There is monopoly in it.

The CHAIRMAN: It is a cartel system.

Mr. HARRIS: Yes; and what applies in that case applies in others. Mr. Wilford knows only too well that there are a group of commodities in Canada in which that applies. In spite of what the witness says, namely, that very rarely are the prices the same, he also knows that in many instances they are precisely the same price within a tenth of one cent. To all intents and purposes they are just exactly the same. What happens in the case of Canadian Industries Limited—and I mention this name publicly to go on the record—is that the commodities which they deal in they also control; so much so that if you were buying that commodity and desired to pay cash every day for everything which you used and asked for a cash discount, you will find, for example, that their terms are the same whether you pay cash on delivery or pay cash at the end of thirty days, you pay precisely the same price. Their terms are net thirty days. No allowance is made. They not only name the price but they also name the terms and name the delivery; and no matter where you try to buy it, it is exactly the same. Fortunately there are not very many of these companies which control certain commodities, but I think the witness will bear me out when I say there are some. That is the first class. The second class are those that sit in on certain commodities for certain districts. That applies in the case of biscuits, bread, milk and meat, but not to the same water-tight extent as obtains in the case of chemicals, salt and so on.

Mr. MAYHEW: You are not leaving out fruit and vegetables, are you?

Mr. HARRIS: I do not know anything about that to be able to say anything about it definitely. I have no experience in that. But Mr. Wilford will pardon me and the committee will pardon me for taking exception to that remark that rarely you find instances where the prices are exactly the same.

The WITNESS: I can definitely say that our salt prices are not the same as we receive the tenders. They vary slightly.

The CHAIRMAN: You mean, Mr. Harris, that you meet that in your own private affairs, I take it?

Mr. HARRIS: I am not speaking of my own private affairs. I am speaking of a matter of fact which can be substantiated. I would not want Mr. Wilford to feel that there are not many avenues for him to explore with regard to collusion between suppliers in setting prices. I would not want it to go on record, as he says, that rarely there are any cases where there is collusion in the selling price obtaining. I think in the matter of this committee being of some service to Canada, we are here to try to effect some economies. If we can break down and smash that evil, we are doing a service to Canada, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. HARRIS: I want that to get into the back of Mr. Wilford's mind. I know it is there now, but I want it to be endorsed by this committee.

The CHAIRMAN: Have you any comments to make about that?

The WITNESS: I was not thinking of salt.

Mr. HARRIS: I just mentioned salt as one example.

The WITNESS: From the monetary or value point of view, it is a very small item in our contracts.

Mr. HARRIS: I was mentioning that as an example.

The WITNESS: I was thinking of such things as beef and butter.

Mr. HARRIS: Beef and butter?

The WITNESS: Butter and bacon, which are two big ones; and as I said, it is very rarely that we get two prices exactly the same.

Mr. HARRIS: I want to argue this point. We will take beef, butter and bacon. With regard to those who handle those commodities, do they or do they not sit in at association meetings and discuss what are fair values for beef, fair values for bacon, fair values for butter? We do not know. We know that they have an office in a building on Bay street known as the Industrial Meat Packers Association headed by an honourable gentleman by the name of Mr. Todd. Whether or not they discuss prices, we do not know. But we do know if Swift and Company get a contract this week, probably Canada Packers get it next week, and probably Burns and Company get it the next week, and probably some other little supplier will get the odd little bit now and again if he makes enough fuss about it. That is something which it is difficult to overcome, Mr. Chairman. At the same time, I know that the committee knows about it and know that Mr. Wilford knows about it. Our duty is to try to stop that evil from growing any greater than it is at the present time.

The CHAIRMAN: Yes. It is a very difficult question. You suggest—and have bumped into it before myself—that there is a certain cartel in control of certain commodities.

Mr. HARRIS: That is correct.

The CHAIRMAN: The Combines Investigation Act would, of course, cover that if you could prove contravention of that particular Act. That would be, of course, a contravention of the Combines Investigation Act. I think your point was to draw that situation clearly to our attention and put it on the record, and draw it particularly to the attention of Mr. Wilford.

Mr. HARRIS: In order to reinforce those in authority, by telling Mr. Wilford who is purchasing agent that he has the full backing of this committee in breaking down any such—

The CHAIRMAN: Combination.

Mr. HARRIS: —cartel structure that is under way at any time. In other words, Mr. Chairman, after all—as I said on a previous occasion or one of the other members said, we are only a scarecrow committee. If you leave the scarecrow in the barn and do not put it in the corn field, it is not going to keep the crows out of the corn.

The WITNESS: There is one thing I should like to mention. The competition in these items is extremely keen. One month one firm may get a lot. Another month they may go the same way. The next month the other firm seemed to have cut down a little closer and got the business. But in addition to the large firms, there are three in Ontario—there are three or four small firms who are also quoting and also a firm from the west who quotes.

Mr. HARRIS: That is on salt, for example?

The WITNESS: I would beg your pardon?

Mr. HARRIS: That would be on salt?

By the Chairman:

Q. On what commodity?—A. Beef, bacon.

Mr. HARRIS: I was thinking of salt.

The WITNESS: No. I am talking about beef and bacon.

The CHAIRMAN: What commodity had you in mind, Mr. Mayhew?

Mr. MAYHEW: Fruit and vegetables. I have found ever since I have been a member that there has been difficulty, and I have taken this position: I said that anybody who could tender and fill a contract should be invited to tender on any commodity that the government wanted.

The WITNESS: That is our rule, if they are in business, if they are established.

By Mr. Mayhew:

Q. If they are established in that business?—A. Right.

Q. I do not mean that a fellow should be in the coal business to-day and in the meat business to-morrow.—A. No.

Q. Simply because there is a large order going around. I do not mean that kind of a fellow. But I think that the department can do a great deal towards getting better prices by watching for the independent small man in these districts and getting him to tender on supplies. It is not always the easiest to get the small man on the list because—I do not know, but they may turn up Dun and Bradstreet and find he has not got a very good rating or something. But I think that the small man can be used quite often to very good advantage.—A. We make use of many of the small men. We try and find out something about them. We also use the services of the Department of Agriculture, their inspectors, to help us.

Mr. PICARD: How do you determine if the firm is competent to tender? If you have already answered that before I came in, I will leave it.

The CHAIRMAN: No. That has not been answered.

By Mr. Picard:

Q. How do you determine in your particular field whether a firm is competent to tender or not?—A. On their standing, on their rating, we find out what we can about their business. Had you any particular line of business in mind?

Q. No. I do not know what your particular branch is, but I know that some cases—for instance, in the furniture and in the lumber trade, furniture and floors and so on—they went and investigated the local plants, took inquiry as to their ability to supply and so on, and further men came from Ottawa and looked it over again. During all that time tenders were asked for from other firms. It took probably five or six months before they decided to ask them to tender on a small thing, and that is the last they heard about it. That was one instance. That may not have anything to do with you. I know it

certain cases they investigate the plants. But in your field, how do you determine that?—A. If it is a baker, a small baker, we would investigate it to see if he was capable of handling the contract.

By Mr. Mayhew:

Q. That would not be so necessary where your tender or contract is only for a month, would it?—A. It would for a bakery. We would want to know whether it was clean, whether it was capable of turning out the quantity we would take, if his bread was good.

Q. Yes, your quality, quantity and cleanliness?—A. Right. If it was fruit, such as apples, we would ask the inspector of the Department of Agriculture to advise us. If the supplier was away from our headquarters and we could not reach him.

By Mr. Picard:

Q. Who is the final judge in deciding who shall tender? Who is the final judge in the department in determining the list of tenderers?—A. Each purchasing agent.

Q. Each purchasing agent himself?—A. Yes.

Q. And his judgment is final?—A. Unless it is changed by some official higher up.

Q. Of the department?—A. Yes.

By the Chairman:

Q. I presume that frequent additions are being made to the list of those tenderers?—A. Yes. Additions are being made continually and names taken off continually. If a firm does not respond three times, we conclude that they do not want the business and take them off the list. Any firm asking—their name is investigated, their standing investigated, and if it is felt that they are entitled to supply and can supply, they are given an opportunity. Other firms may prove to be unsatisfactory, give poor service, and they are taken off.

The CHAIRMAN: I might explain to members of the committee that I asked Mr. Wilford in connection with his presentation to-day—and this may give us an opportunity of checking in our laboratory, the Ottawa territory—if he would give us the average price paid for certain important commodities over a period of six months, the last six months, and the present prices that are being paid for those commodities; then a list in the Ottawa area of those to whom invitations to tender are sent. From that angle we can check, by those who are qualified to check, the prices being paid and to some extent the method pursued in sending out the invitations to tender. So I suggest that we allow him to complete his submission and that we come back to the question period after he gets through. I would ask you to proceed, Mr. Wilford.

Mr. WILFORD: Very well. Continuing:

There are two items which are invariably purchased from Ottawa for all military districts—namely, tea and coffee, as expert advice is required in selecting the most favourable tender. A half-pound sample of tea or coffee is supplied with the bid, and half of this sample is transferred to a plain tin which is numbered and labelled with the price only; no name of the firm being given on it. These numbered samples are then submitted to the tea and coffee taster, of the excise department here in Ottawa, who reports to us the relative values and suitability for use in our camps, after he has made blind tests. Contracts are awarded on the basis of his report.

By the Chairman:

Q. Incidentally there, Mr. Wilford, I think you said in a conversation with me yesterday that the tester has no intimation of the firm?—A. No intimation whatever.

Q. The samples are numbered?—A. He has a plain tin with a number on it and the price. He gives his report that perhaps three are good teas and suitable and a certain one is the best or that either of them will suit, in which case we buy on the basis of price. Continuing:—

When tea and coffee are delivered to our camps, the supply officers forward to us a sample of the stock delivered on the contract, which sample, together with part of the other half of our original sample, is submitted again to the tea tester to be compared. If it is not up to grade, the shipment is returned or a suitable adjustment is made with regard to price.

By Mr. Picard:

Q. Is that done with each new shipment that is sent to the depot?—A. Yes. They are only monthly contracts. (*Refer to evidence of May 29 for corrected answer*).

Q. Monthly?—A. Yes. Now, I have worked out here, sir, a list of average prices for six months of the principal commodities, and also here is a copy of our list of firms for M.D.3, which is supplied from Ottawa.

By the Chairman:

Q. May I ask you this question, Mr. Wilford; if that information was sought by individuals, would the information be given by your department?—A. Not by me.

Q. I beg your pardon?—A. Not by the purchasing agent.

Q. Not by the purchasing agent?—A. No. We do not divulge prices. If they want the prices, they have to apply to the deputy minister.

The CHAIRMAN: In view of that statement, I am rather of the opinion that we should not do what in departmental wisdom is thought unwise. That is, we should not do in this committee what the government thinks, as a policy, is unwise; and perhaps we should go in camera in discussing this.

Mr. MAYHEW: There was so much opposition from outside, owing to the thunderstorm, that I really missed the point.

Mr. PICARD: Without getting down to prices, are we not free to discuss the question of policy, as to whether prices should be divulged or not?

The CHAIRMAN: Would you say that again, please?

Mr. PICARD: You may be right in the idea of not giving out prices here so that they cannot leak out through any accident. But I am referring to the question of the policy itself, the policy of keeping the figures secret.

The CHAIRMAN: Yes. If you have any questions on policy, it is in order.

By Mr. Picard:

Q. This is what I have in mind. If the prices are never given out, is it not your experience in the past that the same firm that has been the successful one by giving the lowest price, would always get it for a number of subsequent orders if nobody knows at what price they tender?—A. No, sir; that is not so. A firm who quotes one time and misses out, cuts his price a little next time and so cuts it until he gets as low as he can afford.

Q. I am asking this, because of a complaint I have heard with regard to a firm which tendered and never heard about it. It is not in your branch. They never heard of their tender, and they were told finally that they were not the

lowest, that is all. Somebody asked what was the price and they were told that it could not be divulged. Then they told me that they discovered that three subsequent orders in that same line had gone to the same firm that had the first one, so they said evidently there might have been quite a difference in price, and this firm having quoted successfully once was able to maintain its price for three or four orders subsequently, while maybe if other firms had had any idea of it, they might have given a chance to some firms to supply the same goods or make better connections to get their supply cheaper. They might have discovered that their price was really higher because their source of supply was too high and they might have corrected that and had a chance to get a contract from the government if they had changed their source of supply. I should like to know what the motive is behind this idea of not divulging prices at any time, unit prices, for any of the work.

By the Chairman:

Q. Is that a question that you feel authorized to answer?—A. I do not feel authorized to answer that.

Q. It is departmental policy?—A. It covers far more than this.

Mr. PICARD: Who is qualified to answer that?

The CHAIRMAN: I think the minister.

Mr. PICARD: How about the deputy minister?

Mr. GRAHAM: He likely shares it: likely the minister would decide that policy.

Mr. PICARD: You think the minister decides these things?

The CHAIRMAN: After consultation with his deputy and his chief officers. It would be policy.

Mr. PICARD: Yes, I know. But I thought the deputy heads were the ones who did that.

The CHAIRMAN: He is likely the one who would advise on it, but I think it would be a departmental rule approved by the minister.

Mr. PICARD: My experience in the past was that the competent officers were the ones who decide, really; I mean, even if they do not put their signatures on it, they were the ones to give the advice.

By the Chairman:

Q. Incidentally, Mr. Wilford, yesterday you informed me—and am I correct in this—that the invariable rule in purchasing food supplies is to call for tender?—A. Absolutely, in all cases excepting milk, the price of which is controlled by the Milk Control Board in each province, in which case business is divided evenly between the firms who are licensed for that district. That price is set by the milk board.

Q. In other words, you cooperate with the provincial control boards to that extent?—A. That is right.

Mr. HARRIS: I find it difficult to get my mind away from that deposition that the witness made with regard to practically all commodities having competitive prices. Going back to salt again, might I ask, Mr. Chairman, this direct question? Perhaps the witness is not able to answer it; I do not know about that. But has it been his experience that he would get two prices for a purchase of salt? Has it not rather been his experience that the price of salt is set—the price for all chemicals for that matter?

The WITNESS: In buying large quantities of salt direct from the firms you mention, the price is invariably the same.

By Mr. Harris:

Q. Invariably the same?—A. Invariably the same in my experience.

Q. I was anxious to clear that up.—A. Our purchases for the camps are usually supplied by the grocers in small lots along with some other groceries.

Q. The prices are definitely the same, and there is no competitive price in that particular commodity?—A. From those firms.

Q. I am just using that as an example. I wish to come to another item in which there is a competitive price. The honourable member for Wellington South raised the question, and perhaps you disposed of it in my absence; I am not so sure about that. But if you did I will dismiss the question. That was the question of apples, in which it is definitely set out in this form, which was tabled to-day, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. HARRIS: It is definitely set out that the apples shall weigh 42 pounds to the bushel, shall be two and a half inches in diameter or more. The honourable member for Wellington South was quite clear on this point, that the supply he saw did not weigh 42 pounds to the bushel and did not measure two and a half inches in diameter. They may have been domestic apples but they certainly did not come up to qualifications. Was that matter explored, Mr. Chairman?

The CHAIRMAN: No. We have to explore it, and the question is quite proper.

Mr. HARRIS: Is the present witness the one who can give some deposition with regard to the purchase of the apples?

The CHAIRMAN: You go ahead, Mr. Harris.

Mr. HARRIS: Would it be satisfactory to do that now?

The CHAIRMAN: Yes.

By Mr. Harris:

Q. What is the procedure when you get a requisition? What do you call it.—A. A contract demand.

Q. You call it a contract demand. When you get a contract demand, we will say for apples, what would you do?—A. Well, we send out tenders for the month's requirements on the basis of the specification which is supplied to us by the quartermaster general's department.

Q. The quartermaster general's department?—A. Yes. That is a copy I believe you have on file. We do not originate the specifications. Those are a matter for the Department of National Defence.

Q. Then when those apples were supplied, it is the duty of those in charge of the stores to report back to their officers and eventually through the quartermaster general's department that those supplies were satisfactory?—A. They refuse any which are not according to specifications.

Q. And as far as you are concerned, they would be domestic grade as defined in the food regulations?—A. Right. We would contract for apples of that grade.

Q. By the time the information got back to you, the apples would be disposed of.—A. They do not have to take it up with us. They have the right to refuse them immediately, turn them back.

Q. If they are not refused, then your responsibility is ended and the responsibility is definitely on the quartermaster general's department?—A. The supply officer.

Q. If he has had no complaint, then there is the D.S. & T.O. and then the sergeant quartermaster general at the place where they are finally distributed. It is a matter of final responsibility down the line?—A. The supply officer in charge of the depot would be responsible for receiving them; and if he receives anything that is not according to specifications, we have found very quickly it is refused.

Q. It is a matter of checking for responsibility from the place where the apple is served; that is on the table of the troops themselves, and then checking back until we find who is the man who did not report an inferior supply.

The CHAIRMAN: I might say, Mr. Harris, what we have done while you were away. You will recall that we asked the quartermaster general to have Mr. Eardley of the Department of Agriculture inspect the apples out at Lansdowne Park. In due course, under instructions from Mr. Wheeler, the chief of the inspection branch, Mr. Eardley did that and a report was read into the record stating that the apples which he had viewed came up to the specifications as set out in the specifications.

Mr. HARRIS: That they did come up to specifications?

The CHAIRMAN: Yes.

Mr. GLADSTONE: Permit me to observe there that Mr. Eardley may not have seen the same apples.

The CHAIRMAN: Yes. I am only giving the facts, I am not passing judgment on the apples.

Mr. HARRIS: No. You are giving observations that have been transmitted to you. The facts are, and you will admit this, that they were not 42 pounds to the bushel.

Mr. GRAHAM: No. I am giving the facts of what occurred in this committee's work.

Mr. HARRIS: Quite.

The CHAIRMAN: Mr. Gladstone, however, happened to be visiting Uplands airport and again had an opportunity of inspecting apples being supplied there, and again he happened to be in company with an Ontario member well qualified to pass judgment upon apples. Both of them agree that the apples at Uplands were definitely not as good as what was called for.

Mr. HARRIS: The apples were what?

The CHAIRMAN: The apples were definitely not as good as the specifications called for.

Mr. HARRIS: Quite.

The CHAIRMAN: I therefore asked Mr. Gladstone if he would be kind enough to take the individual who was well qualified to pass judgment on apples, hold an interview with Mr. Wheeler, and report back to this committee to see how far the committee should go with this question of determining this matter of apples. I think that is the wisest plan for the committee to pursue.

Mr. MAYHEW: I think there was a little difference. I think the way that situation came up first was that they took some apples out of a barrel there, Mr. Gladstone, but when you got away from the barrel and got into the container on the table there was a portion of small apples; there were practically no large apples; only small apples that were left in the dish. Were the apples that you inspected the general run of the apples in the barrel or were they apples that remained over in the dish on the table?

Mr. GLADSTONE: At Uplands we saw two barrels that were open and I think two barrels unopened. Those barrels were without the heads—that is the heads and labels that are ordinarily placed on barrels when they are shipped. Instead of the wooden fixed heads, they had pieces of cardboard laid on the top. I have two observations to make with respect to the apples that I saw and that were looked over at Uplands by two other members of Parliament who are in the apple country and very familiar with apples and who are engaged in marketing apples. My observations are, first, that the specifications pertaining to Northern Spies in eastern Canada are too low as to size to ensure a good quality of apples in that domestic grade. Secondly, that the apples supplied were not up to the specifications as existing. The member who has had a wide

experience in apples termed those apples in the barrels at Uplands as culls, that he would not be permitted in his own country to market those apples as domestic apples.

The WITNESS: May I just mention that so far as the Department of Munitions and Supply is concerned, our duty is to make a contract according to the specifications which are supplied to us and our duty finishes there. In other words, what is received, of course, we would not be responsible for.

By the Chairman:

Q. Your duties would, of course, revive again if the quartermaster general reported that the contractor was not delivering according to specification?—A. Right. But we cannot tell what is being delivered. That is entirely the duty of the Department of National Defence.

Mr. MAYHEW: The blame is not attached to the man who purchases the apples. The blame is attached to the man who receives the apples in the receiving depot, whoever he is?

The CHAIRMAN: Right.

By Mr. Gladstone:

Q. You paid more than you should for the apples you bought, but you did not pay more than you should for the apples you expected to receive?—A. Yes.

The CHAIRMAN: I think you will agree with me that today we cannot go beyond where we have, in connection with this particular witness, and we will have to consider what is the best method of settling the apple question after we get through with the witness.

By Mr. Mayhew:

Q. I should like to ask the witness a question about this. In certain commodities would you not, by seasonal buying, save considerable money—or at least by contracts for the season? We will take the matter of apples, if you like, or potatoes or staple articles that you are going to require. Would you not make a better deal for a district, by contracting for your potatoes, we will say in a season, rather than just taking it from hand to mouth over the whole 12 months?—A. Well, as it is in the large camps, we buy in carload lots.

Q. A carload in Camp Borden would not be a very large supply, would it?—A. Do you mean that the firm would deliver over a period of six months or three months?

Q. Yes. The firm might deliver over a period of six months or better, in those commodities, because he would protect himself. He could protect himself on the six months supply of potatoes, if he were asked to tender in September or October when potatoes were being harvested. In other words, you are doing large bulk buying and then giving the order to distribute to the camps as you want them?—A. I do not think it would be any great advantage. It is extremely difficult, as regards the requirements. We never know just how many men we are going to have to supply at any one point for months ahead. We might be left with a great surplus or might run short.

By the Chairman:

Q. I notice that in your earlier remarks you suggested that you thought was a wise economy to cut down on the period of supply?—A. Yes.

Q. Why?—A. Take, for example, beef and eggs. If a man is asked to quote for six months on beef, he is taking a great chance when he is fixing the price, or what the beef market is going to be.

By Mr. Mayhew:

Q. You are talking about fresh eggs?—A. Fresh eggs would be worse.

Q. That would be seasonal, and that would not follow. But your potatoes and other commodities like that, there is a definite period when it might be done. There are many commodities. Apples is another thing. There is a harvest season.—A. Had we purchased apples at the beginning of the season this year, the price would have been very much higher than it has been.

Q. Well, I can see that, because their export market they know now is gone. Last fall they were still in hopes that there would be an export market.

By the Chairman:

Q. You suggested something to me, Mr. Wilford, and I just ask your opinion, if this is not so. Is one of the reasons that prompted your department to follow that practice that they found that if they asked for tenders in large quantities in any commodity that there was a scurrying around to find out a source of supply, with the result of a great competitive option going on and prices would be disturbed considerably by the large quantity tenders being asked for? Is that not correct?—A. That was the case.

Q. Is that not one of the reasons why that was done?—A. That is one of the reasons.

Q. It disturbs the commodity market where they ask for any long period involving quite a huge quantity?—A. Take the question of beans. If we go out in the market to-day for a very large quantity of beans—say carload lots—we ask maybe 40 dealers and those 40 dealers all send out for a price on so many cars of beans. That has a tendency to strengthen the market immediately.

Mr. MAYHEW: Yes, I agree. But the man who might get a contract to supply beans probably buys his beans before they are harvested at all, and buys his apples.

The CHAIRMAN: Each one of them could not buy, each tenderer could not buy. Do you get my point? They would be buying in such huge quantities, I assume, that it would be a terrible risk for each tenderer to run the chance that he was going to get a contract.

The WITNESS: It would look as though there were going to be tremendous quantities bought.

By Mr. Mayhew:

Q. I think you will find that most wholesalers do exactly what you say you are afraid to do for fear of disturbing the market, namely, that they go out and contract with growers for their stuff long ahead?—A. They have a somewhat easier way of going after the market. They can go out quietly and when they see a good deal, they can pick it up. We have to advertise our requirements with all dealers and ask them for prices.

Q. Yes, but they would go out in this case for you.

The CHAIRMAN: But I can see, Mr. Mayhew, the difficulty. Take the case of beans which was mentioned. Suppose there were 40 persons proposing to tender. Forty persons could not, surely, safely contract to accept an order from their supply sources for a quantity 40 times in total the requirements that they would only want from one successful tenderer.

Mr. MAYHEW: It is a matter of how you go about doing it. With regard to produce that does come in at certain seasons of the year, if it was the policy of the government to store those up for their own account, they would soon find a way to make the buying most effective, because there is not only one district that they have to buy from. They can make inquiries from a good many districts.

The CHAIRMAN: Without committing themselves, you mean?

Mr. MAYHEW: They can have the districts competing for their stuff rather than the wholesalers.

The WITNESS: I think I am correct in saying that either late in 1939 or early in 1940 we received a report from the wartime Prices Board that by going into the market for such quantities in that way, we were disturbing the market; and that was one reason why—one of the influences which decided us.

Mr. PICARD: The large quantities involved would be the one good argument for that. Take the penitentiary system. They go about it in the same way as Mr. Mayhew suggested. They contract for their vegetables on a seasonal basis, and for the milk supply it is six months contracts. Their population varies, but not very considerably, although the numbers of course are much smaller. But they have found, after investigating both systems, the monthly system and the seasonal system, that they get more advantage on the seasonal basis. Of course they buy locally. Their purchasing agent buys from the farmers in the surrounding district and the quantities are not so large. Probably the large quantities involved would justify the monthly system.

By the Chairman:

Q. Incidentally, I have one question that I asked Mr. Wilford, and it might be wise to ask him here. What is the experience of the department in asking farmers, vegetable growers, to tender? Would you kindly give the committee your experience?—A. Well, the quantity is one point. We have to be sure that he has got the quantity. Another point is with regard to vegetables, we usually make a contract for all mixed vegetables. Potatoes is one contract and mixed vegetables is the other. The farmer may have lots of carrots and lots of onions, but he may not have any turnips, beets and cabbage. So that we usually find that they refuse; when we send them a tender, they refuse to quote. The other difficulty is the exact hour at which delivery is to be made. I think we would run into difficulty there with the farmers. The supply officer asks for delivery of certain quantities of this, that and the other, at a certain definite time. The average farmer is not equipped to make deliveries as and when required.

Mr. MAYHEW: I see the difficulty there. You would lose your responsibility. You would not know who was responsible for furnishing the small apple or the small potato if you were doing that. You have to bring them to one person and make one person responsible.

By Mr. Sissons:

Q. Why do you join raw apples with vegetables and potatoes?—A. We do not in the contract, we simply concluded that the same people, as a rule, are interested in vegetables and fruits, so we put them on the same tender form.

By Mr. Harris:

Q. Mr. Chairman, why do they make a differentiation between eastern Canada and western Canada? Why do they ask for fancy apples in western Canada and domestic apples in eastern Canada?—A. The fancy apples in British Columbia are the second grade. The extra fancy are the first grade.

Q. And the eastern Canada—what are the grade?—A. In Ontario, number ones and domestics.

Q. Number 1 domestic is number 3 fancy?—A. It is number 2.

Q. I beg your pardon?—A. It is number 2 in Ontario.

Q. Just a minute until I get that clear. The fancy apple in western Canada—A. Is their number 2 grade.

Q. The fancy apple is number 2 grade?—A. Yes.

Q. And the domestic apple in Ontario is the next grade lower than that?—

A. No. The domestic apple in Ontario is Ontario's number 2 grade.

Q. Number 2 grade?—A. Yes.

Q. What would be domestic number 3 then?—A. I would like to mention something about apples here. The specification for Ontario was for number ones. Last year was a very wet season and in Ontario there was a small percentage of number ones and a very large percentage of domestics. The merchants refused to sell us all number ones on these big contracts.

Mr. HARRIS: They should have been interned immediately.

The WITNESS: They said they were not going to strip themselves of all number ones and have nothing but domestics to sell, so that the specification was changed to domestics.

By the Chairman:

Q. Later that attitude on the part of the dealers changed, did it not? They found they had plenty?—A. Later they found they had plenty of apples of all sorts left.

By Mr. Sissons:

Q. Your tenders at one time—the tender form just called in the west for potatoes and fresh vegetables?—A. Right.

Q. And then that was changed to include raw apples?—A. The Department of National Defence added apples to the ration list. When that took place and we were asked to buy raw apples, we added them to the list of vegetables merely as a convenience, saving sending out separate tenders.

Q. Of course, in the west, in the prairie provinces, those provinces producing potatoes and fresh vegetables certainly do not produce raw apples?—A. Well, they sell raw apples very frequently.

Q. I say a person who produces—A. Oh, produces.

Q. Produces potatoes and fresh vegetables do not of course produce fresh apples?—A. No. But merchants handling potatoes and vegetables usually handle apples.

Q. No. Persons that handle fresh apples are a certain number of fruit companies who have a source of supply in British Columbia. It strikes me that by adding raw apples to fresh vegetables and potatoes you simply handed all this to a certain group of fruit companies in Manitoba, Alberta.—A. If a man wanted to quote on apples only, we would send him the same tender; if he wanted to quote on potatoes only, we would still send him the same tender and expect him to quote on the items he was interested in.

By the Chairman:

Q. Mr. Wilford instructs me that the actual tender instructions indicates—correct me if I am wrong on this, Mr. Wilford—that you can tender on any portion of these descriptive articles?—A. It does not actually state that.

By Mr. Sissons:

Q. It does not indicate that?—A. It does not state that, but it says we will accept one or all or any of the items.

By the Chairman:

Q. Does it say that on the tender?—A. Yes, or words to that effect.

Q. Have you got a tender form?

Mr. SISSONS: It is in this form.

The WITNESS: It is in the specification.

By Mr. Mayhew:

Q. In other words, if you were calling for tenders in which there were apples, potatoes and onions, and a man wanted to tender on apples only, and he was the lower tender on the three, he would be given the apple end of it?—A. Certainly.

Q. In other words, you might end up with three different suppliers, one apples, one potatoes and one onions?—A. Yes. That is very frequently the case.

Q. It is?—A. Yes.

The CHAIRMAN: Mr. Sissons' point and I agree with him,—is that it might be wise for the department, knowing the attitude, the wrong attitude if it is that, that might be taken by persons who would think they would have to tender on the whole of the descriptive articles set out, that it should be plainly indicated that the person tendering could tender on the whole or any portion thereof, making it clear. Mr. Wilford tells me that they do not separate vegetables.

Mr. Sissons: I can understand that, and I can understand potatoes being grouped with vegetables, but I cannot understand in our country raw apples being grouped with those.

Mr. GLADSTONE: Mr. Wilford's earlier remarks indicated the difficulty they experienced in securing certain deliveries from the producers, and that being true it throws the department back to the dealers and the dealers usually handle both fruit and vegetables.

The WITNESS: Exactly.

Mr. HARRIS: Mr. Chairman, would you permit me to make a statement there, a statement that I would rather not have go on the record?

Mr. GLADSTONE: May I say one thing before you do that?

Mr. HARRIS: Yes.

Mr. GLADSTONE: I imagine you may be on another topic.

Mr. HARRIS: I am staying on apples.

Mr. GLADSTONE: Let me say this, at any rate. I visited the Department of Agriculture this morning and in conversation with Mr. Robinson or Robertson I find that a study is in progress in consultation with the provincial authorities looking to the revision of the minimum size, minimum colour requirements of apples, and that it appears almost certain that in the domestic size, the Northern Spy will be raised from two and a quarter inches to two and a half inch minimum. I have no doubt that if that is done, it will overcome much of the lack of quality that we have witnessed out here in our visitations of these camps. I rather think that if there is to be any delay relative to this, the quartermaster general would do well to anticipate it and in the specifications raise the Northern Spies immediately to two and a half inches minimum.

The CHAIRMAN: I take it that your idea is that apples should have an inviting appearance, if they have any appearance at all, and it would be wise to supply a well graded, excellent type of apple for our army and air force tables.

Mr. GLADSTONE: Exactly.

Mr. HARRIS: Mr. Chairman, I would just like to say to the committee—and I would rather this would not go on the record.

The CHAIRMAN: Very well.

—(on resuming)

By Mr. Sissons:

Q. You mentioned these fancy sort of western apples were the same as domestic?—A. No. I said they were second grade.

Q. I noticed apples in the camps out west and there was certainly no comparison with these apples.—A. I think the number ones in Ontario would probably compare with what they call fancy in the west.

Q. And the fancy grade in the west is a good apple?—A. It is a good apple.

By the Chairman:

Q. The corresponding grade here would be number 1 domestic?—A. I would judge so.

Mr. MAYHEW: I do not want this on the record either.

The CHAIRMAN: Very well.

—(on resuming)

The CHAIRMAN: Are there any other questions on general policy? If not, we shall proceed.

Mr. HARRIS: Before you leave that, I was hoping perhaps we could have a deposition with regard to the witness's views concerning the grading of beef. He has had a lot of experience.

The CHAIRMAN: With regard to what?

Mr. HARRIS: With regard to the grading of beef, whether he could tell about a heifer that had two calves and a heifer that had one and one that had none, and a heifer which had a firm udder and one which had one not quite so firm.

The WITNESS: I think there is not anything in the actual specifications about the two calves. The specifications say "from young female cattle, not mature cows."

Q. One that has calved twice?—A. That is not in the specification, I think. That is in a memorandum interpreting to the supply officer what is meant by "young, female cattle".

Q. I should like to know, if Mr. Wilford knows anything about the origin of this specification for beef dated the 7th of February, 1941? Why was this suddenly supplied by the Department of Supply and Transport?—A. I feel that should be answered by the Department of National Defence, although I know something about it. But I think it is an answer that they should give.

Q. I do not want you to answer it then. It suddenly came out of the blue. It is the letter dated the 7th of February stating, "The interpretation of heifer beef is a female animal which has calved once or twice but not more than twice."—A. That was to help the supply officers to interpret the specification which referred to young female cattle.

Q. No, it referred to fresh beef, sides.—A. It describes it.

Q. Fresh beef, sides. Let me put it this way. If you or I got a specification for fresh beef sides, we would be thinking—you particularly from the west would be thinking of number 1 steer, would you not, graded, branded, blue label or red label? You would not be thinking of a female animal which had calved once or twice, but not more than twice?

The CHAIRMAN: Mr. Harris, I might explain that during your absence in the early days of this week I had asked Mr. Gladstone, yourself and Mr. Sissons if you would study—knowing your experience—these specifications, and if you would be kind enough to go through these specifications for the committee and jot down any questions that you thought proper to be answered. Then we would invite back again the quartermaster general's departmental head who would be able to instruct us on anything with regard to those specifications. I still think that might be wise, in view of your question here to-day, to do that, and then ask the proper officer of the proper department to come before us and answer any of these. I think your considerable experience, particularly in beef, would enable you to properly analyze the specifications and to make any suggestions you care to make.

Mr. HARRIS: I think the horse is out of the stable and I think the door is ready for the padlock.

The CHAIRMAN: I wish you would do that, to see if we can improve the specification.

Mr. HARRIS: Quite.

The CHAIRMAN: Is there any other question on general policy? If not, we will go into camera. I notice that we are not excluding anybody, but since we are dealing with information that would not be given out by the department because of some departmental rule, I think it would be wise for us to have this in camera, on the record.

Mr. HARRIS: Before you go ahead, I wish to make a few remarks on the position that we are in. You know that I am extremely anxious to help in every possible way. As we are presently constituted in Canada, this is a governmental possibility. Do not think that I am pig-headed on this point at all. I will help you in every possible way that I can. But a billion dollar expenditure or whatever it is, with regard to 95 per cent of it, I think everybody should know about it. You as a member of the administration, Mr. Chairman, and the other hon. gentlemen, without any quibbling or anything else, I ask you to assume all responsibility for the in-camera sitting. With that, I will leave it to you and cooperate with you in every possible way. I will leave now.

The CHAIRMAN: Very well. We are just going into some departmental information.

—(The subcommittee continued its sitting in camera.)

THURSDAY, May 29, 1941.

The subcommittee met at 4 o'clock. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Mayhew, Picard, Sissons.

The CHAIRMAN: We have a quorum, gentlemen, and we shall proceed. First of all I wish to put on the record a letter I had from Mr. Wilford, correcting a small portion of his evidence. I shall read the letter:—

Dear Mr. GRAHAM:

I regret very much that in my evidence at yesterday's meeting, in reply to a question by Mr. Picard (page 14) as to whether each sample of tea and coffee was sent to Ottawa to be tested, my answer was in the affirmative.

I find, on checking up, that this is not entirely correct. My answer should have been, "Only when the supply officer has any doubt that the second or further deliveries are equal in quality to the original shipment".

It would be greatly appreciated if this correction could be accepted.

I also want to put on the record a memorandum dealing with a visit to Petawawa camp by members of this subcommittee.

MEMORANDUM DEALING WITH A VISIT TO PETAWAWA CAMP BY MEMBERS OF
SUBCOMMITTEE NUMBER TWO ON WAR EXPENDITURES

TUESDAY, May 27, 1941.

Present: Messrs. Mayhew, Picard, Sissons and Graham.

The above mentioned of the committee were met at Petawawa by General Schmidlin, Quartermaster General, and through him and Major Cunningham, the officer in charge of supplies, were given an opportunity of examining into the food supply in Petawawa camp.

The committee visited the central supply depot and the kitchens and mess of an engineers' unit.

Since there are some 10,000 men stationed at Petawawa the supply depot at Petawawa is much larger and handles much greater quantities of foodstuffs than the depot at Lansdowne Park.

The system of inspection and control is very largely the same as at Lansdowne Park.

Since however the food is supplied to the depot in much larger quantities, the check system cannot be as complete in detail as at Lansdowne Park; for instance, beef is shipped in in carloads and the practice is for the supply officer to weigh approximately every fifth carcass and if any discrepancy in weight is noted, and particularly if a further discrepancy occurs then each individual item is weighed and checked.

The officer in charge pointed out that this method has proved satisfactory inasmuch as an actual stock taking is made every two weeks and the amount on hand must balance with the amount shown in the stock ledger. In addition, the officers of the audit branch, wholly independent of the supply depot, make periodic checks to make certain that the amount of food supplies on hand are in agreement with the amounts shown in the stock ledger.

It was pointed out that a further check occurs by reason of the fact that the depot supplies several units stationed at Petawawa Camp and that it would of course be impossible to fill the daily indents of these units if any substantial shortage occurred in any particular item of food supply.

The committee noted that the weighing officer at the depot does not certify that he has done so on the invoice furnished to the stock records keeper. The practice is for the weighing officer to orally report to the officer in charge of supplies that he has performed the duty and that the weigh bills have proved correct or otherwise. The committee suggested to the officer in charge of supplies that in order to fix responsibility it might be wise to have the individual who actually does the weighing certify it as to the correctness of the weight.

The depot seemed to be scrupulously clean and all food supplies kept in excellent condition.

The method of salvage pursued at Petawawa is for the officer in charge of supplies to 'phone the different supply houses furnishing the containers consisting of crates, cardboard containers, etc., and after securing the highest offer per item, these are sold by him to the individual or firm making the highest offer. The terms are reported to headquarters of the military district number three and settlement with the Receiver General is made through headquarters.

General Schmidlin reported that since appearing before the committee he had investigated the matter of purchasing tomatoes in larger containers but found that the companies were not in a position to supply tomatoes in

such containers. He further pointed out that except under unusual circumstances the small container permits the necessary amount being furnished to the different units without waste or without the necessity of carrying over tomatoes in other than properly sealed containers. He further suggests the cost of the smaller tin as compared with the larger is very little more, and that he doubts if any real economy would result from any change in the size of the container.

The meat supplies are kept in a separate electrically refrigerated building and your committee was pleased to note that the carcasses had a stamp, "D.N.D." on each indicating that the Department of Agriculture inspectors had in addition to their usual inspection certified that it met with the specifications of the Department of National Defence and the stamp placed on each carcass was a certificate to this fact.

The officer in charge of supplies at Petawawa informed the committee that this did not in any way lessen the inspection routine pursued by the officers and men in charge of the supply depot.

The committee made inquiry as to the method of checking eggs and was informed that officers of the Department of Agriculture made frequent checks to determine that the eggs being furnished are of the quality required for the army.

The committee inspected the mess room of one of the units stationed at Petawawa and found it to be in excellent condition. The system pursued was the sit-down service with four waiters permanently detailed for this purpose.

The kitchens appeared clean and wholesome with the weekly menu posted where it could be easily seen by any of the men.

Refuse was taken care of in the same manner as at Lansdowne. One or two of the refuse cans were uncovered but the officer in charge assured the committee that this was accidental and that the invariable practice was to keep the refuse covered and the whole refuse area kept in a sanitary condition. The committee is of the opinion that the officer was correct as generally speaking the whole establishment was in excellent condition.

The officer in charge stated that fats and greases were kept for kitchen purposes and he reported that owing to his dissatisfaction with the individual who purchased bones at present they were not being disposed of in the usual way. But he intimated that as soon as proper arrangements could be made that he would of course make the necessary arrangements to salvage the bones from the kitchen. In view of the salvage campaign being carried on the committee suggests that emphasis be placed on the salvage of bones in military camps and that wherever possible this ruling be not departed from.

Major Cunningham, the officer in charge of supplies for the whole camp informed the committee that there was no local market for swill and as a result the swill was disposed of by being buried in trenches dug for this purpose.

In discussing food supplies generally with the corporal cook, he gave his opinion that these were very satisfactory except in the matter of fresh pork. This he suggested contained too much fat and as a result lost considerable in weight in the cooling process. He intimated that in this regard it compared unfavourably with Alberta pork, with which he was acquainted. The explanation may be that western hogs are fed a greater quantity of hard grain and the eastern hogs much more starchy feed."

(The Sub-committee continued its sitting in camera.)

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SESSION 1940-41
HOUSE OF COMMONS

(SPECIAL COMMITTEE)

ON

WAR EXPENDITURES

No. 13

BEING

MINUTES OF PROCEEDINGS AND EVIDENCE

OF

X SUBCOMMITTEE No. 2 X

July 8, 9, 10, 15, 16, 17, 22, 23, 25, 28, 29, 30, 31, and
August 1, 6, 7, 8, 12, 13, 18 and 19, 1941

Printed in accordance with a Resolution of the Main Committee dated
August 22, 1941

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

*Extract from the Minutes of Proceedings of the Special Committee
on War Expenditures, dated August 22, 1941*

"Mr. Picard moved that the minutes of proceedings and evidence of such meetings of subcommittee No. 2 referred to in the committee's fourth report as were not held in camera, be printed, 500 copies in English and 200 copies in French. Motion carried on the following division: Yeas, 12; Nays, 1."

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF PROCEEDINGS OF SUBCOMMITTEE No. 2

July 8, 1941.

Subcommittee No. 2 on War Expenditures met this day at 3.00 o'clock p.m. Mr. R. T. Graham, the chairman, presided.

Members present were: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—7.

The chairman read the order of reference to the subcommittee.

It was agreed that Brig.-Gen. R. M. Gorssline, Director General of Medical Services, Department of National Defence, be called for to-morrow.

It was also agreed that Col. F. M. Lott, Director of Dental Services, Department of National Defence, and Mr. J. W. McKee, Assistant Deputy Minister, Department of Pensions and National Health, be called later.

The salvage of waste was discussed. The chairman asked Mr. Harris to prepare a memorandum on this for the subcommittee. Mr. Harris outlined what had been done by the subcommittee of the War Time Trade Board.

Mr. Picard expressed the opinion that purchases made by government-established companies should be examined.

Mr. Harris referred to the Melbourne Merchandizing Company, a government-established company authorizing 25 per cent Canadian wool and 75 per cent other wool in the manufacture of cloth for war purposes when Canadian wool dealers were unable to dispose of their wool. The subcommittee agreed that this should be investigated.

Mr. Picard suggested that briefs submitted by departmental witnesses should be handed to members of the subcommittee in advance. It was decided this should be done whenever possible.

Mr. Gladstone suggested orderly questioning on each topic.

Mr. O'Neill referred to soldiers being discharged as medically unfit shortly after enlistment.

The subcommittee adjourned to meet again at 3.00 o'clock p.m. to-morrow.

July 9, 1941.

Subcommittee No. 2 on War Expenditures met this day at 3.00 o'clock p.m. In the absence of the chairman, Mr. R. W. Gladstone presided.

Members present were: Messrs. Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—6.

Brig.-Gen. Gorssline, Director of Medical Services, Department of National Defence, was called and examined.

The witness filed the following exhibits:—

No. 1—Statement of the duties of the staff of the Director General of Medical Services;

No. 2—Chart showing the staff of the Director General of Medical Services; with notes *re* duties;

No. 3—Chart showing District Medical Officers' staff, Stores and Boards, Home War Establishment;

No. 4—Permanent Hospital Installations—Home War Establishment, R.C.A.M.C.

No. 5—Physical Standards and Instructions for the Medical Examination of Recruits;

No. 6—Statement showing percentage and cause of discharge from the Canadian Active Service Force of men approved by Medical Boards from September 1, 1939, to May 31, 1941.

No. 7—Initial Cost of Equipment of Medical Units.

The witness was asked to procure certain information and submit it at a later date.

The subcommittee decided to visit the Military Camp at Lansdowne Park and the Rideau Hospital on Friday, July 11, at 10.00 a.m.

The subcommittee adjourned to meet again Thursday, July 10, at 3.00 o'clock p.m.

THURSDAY, July 10, 1941.

Subcommittee No. 2 on War Expenditures met this day at 3.00 o'clock p.m. In the absence of the chairman, Mr. R. W. Gladstone presided.

Members present were: Messrs. Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—6.

Col. F. M. Lott, Director of Dental Services, Department of National Defence, was called and examined.

Eight copies of the authorized rates for dental services to be sent to the clerk of the subcommittee by Col. Lott; also 8 copies of dental record of the men.

The subcommittee expressed its thanks to Col. Lott for his enlightening evidence.

The witness retired.

The subcommittee adjourned till Tuesday, July 15 at 3.00 o'clock p.m.

J.P. DOYLE,
Acting Clerk of the Subcommittee.

WAR EXPENDITURES

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TUESDAY, July 15, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3.00 o'clock p.m.

The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, Picard, and Sissons—6.

The chairman informed the committee that Dr. J. F. McCann, M.P., had been invited to appear before it to give his views on the hospital and dental services as outlined by Brig.-Gen. Gorssline.

Dr. McCann then addressed the committee on the health services of the armed forces of Canada.

Discussion and questions followed.

The chairman thanked Dr. McCann for the information he had given the committee.

The committee adjourned until 10.30 o'clock a.m., Wednesday, July 16.

WEDNESDAY, July 16, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, Picard, and Sissons—6.

The chairman informed the committee that Air Commodore R. W. Ryan, R.A.F., Director of Medical Services for the R.C.A.F., was the witness this morning. Commodore Ryan addressed the committee on the work of the medical services in relation to the R.C.A.F.

At the request of the chairman, Commodore Ryan undertook to produce eight (8) copies of the graphs and set-ups of the four divisions of his department and also to provide a syllabus of the school and a memo pertaining thereto.

The committee adjourned to meet again on Thursday, July 17, at 3.00 o'clock p.m., when the same witness will continue his presentation.

THURSDAY, July 17, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3.00 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Sissons, and Picard—7.

Air Commodore R. W. Ryan, R.A.F., Director of Medical Services for the R.C.A.F., resumed his presentation to the committee.

The witness filed the following exhibits:—

No. 9—Establishment of R.C.A.F. Medical Branch.

No. 10—Medical Branch R.C.A.F. and personnel of Divisions Nos. 1-4.

No. 11—Equivalent Ranks in Army, Navy and Air Force.

No. 12—Summary of Lectures at the School of Aviation Medicine.

No. 13—Table No. 1, Air Force, Canada, strength of Commands, July 7, 1941.

No. 14—Table No. 2, Discharges and Retirements, R.C.A.F., Medical Reasons, September, 1939-May, 1941.

No. 15—Tables Nos. 3-A and 3-B, Permanent Rejections Air Crew and Ground Crews.

No. 16—Fatal casualties, R.C.A.F. overseas, September, 1939-May, 1941.

The witness agreed to furnish the committee with further information at a later date.

Witness retired.

The chairman informed the committee that a closed meeting would be held on Friday, July 18, at 10.30 a.m.

The committee adjourned to meet again on Tuesday, July 22, at 3 p.m.

TUESDAY, July 22, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—7.

Dr. Ross Miller, Department of Pensions and National Health, Ottawa, was called and presented to the committee a submission on hospital costs of the armed forces of Canada. He filed Exhibit No. 17, a memorandum on the functions of the Medical Treatment Branch of the Department of Pensions and National Health, together with Appendices A, B, C, D, E, F, G, H, attached thereto. Witness was cross-examined and requested to furnish further information at his next appearance before the committee.

The committee adjourned to meet again on Wednesday, July 23, at 10.30 a.m.

WEDNESDAY, July 23, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—7.

Brigadier-General R. M. Gorssline, Director General of Army Medical Service, recalled, and further examined on the evidence given by him on July 9.

The witness filed as Exhibit No. 18 a memorandum of the information asked for by committee on July 9, 1941, with certain tables and charts attached thereto as appendices Nos. 6, 7, 8, 9, 10, 11, and 12. He also filed as Exhibit No. 8 a Brochure on Military Hospitals, diets, etc., also Appendix No. 2 to be attached as part of Exhibit No. 2 filed July 9, Directorate of D.G.M.S.

The committee agreed to visit the Petawawa Hospital on Thursday, July 24, leaving the main entrance of House of Commons at 9 o'clock a.m.

The committee adjourned to meet again on Friday, July 25, at 10.30 a.m.

FRIDAY, July 25, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures resumed at 2.30 p.m. this afternoon. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, Picard, O'Neill, and Sissons—7.

Brigadier-General Gorssline continued his presentation to the committee.

The committee adjourned to meet again at 10.30 a.m. on Monday, July 28.

MONDAY, July 28, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, and Sissons—5.

Brigadier-General Gorssline recalled and resumed his presentation to the committee on the medical services of the armed forces of Canada.

Discussion and questions followed.

The witness filed expense and revenue sheets of a civilian hospital presented to him by Mr. Harris with memorandum attached thereto as Exhibit No. 24.

Witness retired, subject to recall.

The committee adjourned to meet again on Tuesday, July 29, at 3.00 p.m.

TUESDAY, July 29, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3.00 o'clock. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—7.

Lieut.-Col. J. S. Jenkins of District General Medical Stores Staff, was called and presented to the committee a submission on the purchase and distribution of army medical supplies. Discussion and questions followed.

The witness filed Exhibit No. 25, a brochure of information on army medical stores.

He also agreed to file with the committee a completed form of inventory taken by the medical stores.

The committee adjourned to meet again to-morrow, Wednesday, July 30, at 10.30 a.m.

WEDNESDAY, July 30, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, Sissons, Harris, Picard.—7.

Lieut.-Col. J. S. Jenkins of District General Medical Stores staff, recalled and continued his presentation to the committee. Discussion and questions followed.

The witness filed the following list of Exhibits:—

Exhibit No. 26, Appendix No. 1. A sheet showing the divisions of Department of General Medical Stores and the Army Medical Districts Nos. 1-8.

Exhibit No. 27, Appendix No. 4, showing the three classes of sulphathiazole tablets issued and on hand as from September, 1939, to March 31, 1941.

Exhibit No. 28, Appendix No. 5, showing central medical stores staff.

Exhibit No. 29, showing Directorate of Medical Services, staff of A. M. D-3.

The Committee decided to meet in Toronto on Monday and Tuesday, August 4 and 5, to inspect the Christie Street and other hospitals, and to see the packing plants of the Swift Canadian and the Canada Packers who are supplying a great deal of the food to the Canadian forces and hospitals, the Manning Pool, the two Armouries, also the wholesale drug and medical instrument manufacturers, and the salvage operations now under way in Toronto.

The committee adjourned to meet again at 3.00 o'clock this afternoon.

AFTERNOON SESSION

Subcommittee No. 2 of the Special Committee on War Expenditures resumed at 3.00 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard and Sissons.—7.

Dr. Ross Millar, Department of Pensions and National Health, recalled and continued his submission on hospital costs.

Discussion and questions followed.

The committee adjourned to meet again to-morrow, Thursday, July 31, at 3.00 p.m.

THURSDAY, July 31, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met at 3 o'clock p.m. this day.

The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard and Sissons.—7.

Dr. Ross Millar, Department of Pensions and National Health, was recalled and continued his submission to the Committee.

Discussion and questions followed.

The Committee adjourned to meet again on Friday, August 1, at 10.30 a.m.

FRIDAY, August 1, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons.—7.

Dr. Ross Millar, Department of Pensions and National Health, continued his submission to the committee. He read into the record the letter from the adjutant-general to General Gorssline.

The witness retired, subject to recall.

The committee adjourned to meet again in Toronto, on Monday, August 4.

WEDNESDAY, August 6, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3.00 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons.—7.

The Chairman, Mr. R. T. Graham, on behalf of the committee, thanked Mr. Harris for the arrangements he had made for the meetings in Toronto on August 4 and 5.

Mr. Harris in reply said in part that the appreciation of the committee should be given to the several firms visited, and to the hospital and civic officials who had co-operated in making the committee's meetings so informative. He also agreed to co-operate with Mr. Gladstone in the report of the meetings held and to forward the thanks of the committee to the various officials and firms in Toronto.

Mr. J. C. Kelley, Chief Salvage Officer, Treasury Branch, Department of Finance, was called. Mr. Kelley presented a submission on the general salvage

Discussion and questions followed.

The witness retired.

Col. W. G. B. Dailley, Chairman of the Army Salvage and Disposal Branch, was called. He presented a submission on army salvage and disposal methods.

The witness was questioned and retired.

Air Commodore S. G. Tackaberry, Royal Canadian Air Force Equipment Branch, was called. The witness described the methods of salvage practised in the R.C.A.F. Associated with Air Commodore Tackaberry in his presentation was Group Captain E. C. Farman, R.C.A.F.

The witness retired.

The committee then adjourned to meet again on Thursday, August 7, at 10.30 a.m.

THURSDAY, August 7, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard, and Sissons—7.

Mr. Harris read into the record a letter from the Chairman, Mr. R. T. Graham, addressed to himself, and also expressed his disapproval of the committee sitting in camera.

The chairman replied to Mr. Harris, assuring him that he would, with the other members of the committee, consider the points raised by Mr. Harris. The chairman then invited all members of the committee individually to express their opinion on the question of open or in camera meetings. All members of the committee replied, expressing their views on the question raised by Mr. Harris.

Mr. Hansell moved, seconded by Mr. Harris—That this morning's sitting be regarded as open and that anything considered to be of a delicate character be kept off the record.

On the question being put, Mr. Harris asked for a recorded vote: The names being taken down were as follows: Yeas, Messrs. Gladstone, Harris, Hansell, and Picard—4; Nays, Messrs. O'Neill, and Sissons—2.

The motion passed in the affirmative.

The committee then adjourned to meet again at 3 p.m. this afternoon.

AFTERNOON SESSION

Subcommittee No. 2 of the Special Committee on War Expenditures resumed at 3.00 p.m. this day. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, Harris, O'Neill, Picard, and Sissons—7.

Lt.-Col. Dailley resumed his presentation to the committee on Army Salvage and Disposal Branch. The witness filed as Exhibit No. 31 a letter dated July 25, 1941, to Mr. R. T. Graham on salvage operations, signed by W. G. B. Dailley.

Witness retired.

Mr. B. G. McIntyre, Comptroller of the Treasury, was called and gave information to the committee regarding the working of the Central Salvage Branch of the government.

Witness retired.

Mr. Francis Farwell, Executive Assistant to the Master General of Ordnance, was called and addressed the committee on the salvage operations in regard to the reclamation of oil after use by the R.C.A.F. so that it may be used in army trucks and vehicles.

Witness retired.

The committee then adjourned to meet again on Friday, August 8, at 3.00 p.m.

FRIDAY, August 8, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3 p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, Harris, O'Neill, Sissons and Picard—7.

The Chairman requested Mr. Harris to make a statement to the Committee regarding the manufacture of soap, such as was witnessed by the members of the Committee at Lansdowne Park Camp in Ottawa.

Mr. Harris addressed the Committee on the extravagant method used in this camp and also showed that there was a complete loss of the valuable by-product, glycerine, one of the essentials for Canada's war effort.

The Committee then continued the sitting *in camera* and Mr Harris retired as a protest against this procedure.

Dr. G. F. Stephens, Superintendent of the Royal Victoria Hospital, Montreal, and President of the Canadian Medical Council, was called, examined and retired.

The Committee then adjourned to meet again at the call of the chair.

SPECIAL COMMITTEE

TUESDAY, August 12, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3 o'clock, p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, Sissons and O'Neill—5.

The Chairman filed as Exhibit No. 33 a copy of P.C. 4649, dated June 25, 1941. Also, as Exhibit No. 34, a letter and accompanying memorandum sent by Mr. McLean, President of Canadian Packers Limited, to Col. H. DesRosiers, Acting Deputy Minister of National Defence, under date of August 9, 1941, together with letter and recommendation of Mr. J. H. Bedard to Mr. J. S. McLean, dated July 14, 1941.

Discussion followed.

The Committee then adjourned to meet again on Wednesday, August 13, at 3 p.m.

WEDNESDAY, August 13, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3 p.m.

The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Harris, Hansell, O'Neill, Picard and Sissons—7.

The Chairman informed the Committee that the witnesses this afternoon would be Lt.-Col. H. O. Lawson, Director of Supplies and Transport, Department of National Defence, and Mr. L. S. Pearsall, Chief of Live Stock Grading, Department of Agriculture.

Lt.-Col. Lawson was called, examined and retired.

Mr. L. S. Pearsall was also called, examined and retired.

The Committee then adjourned to meet again at the call of the Chair.

MONDAY, August 18, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 3 p.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, Picard and Sissons—6.

The Committee proceeded to consider its report on the subject matter referred to it by the adoption of the recommendations of the Agenda subcommittee report on July 8, 1941.

The Committee adjourned to meet again on Tuesday, August 19, at 10.30 a.m.

TUESDAY, August 19, 1941.

Subcommittee No. 2 of the Special Committee on War Expenditures met this day at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

Members present: Messrs. Graham, Gladstone, Hansell, O'Neill, Picard, and Sissons—6.

The Committee resumed its deliberations on its reports.

Discussion followed.

On motion of Mr. Sissons,—Resolved unanimously that the reports of the subcommittee be adopted as read and that the Chairman present the same to the main committee on War Expenditures at its next sitting.

Mr. Picard then expressed the thanks of all members of subcommittee No. 2 to the Chairman for the fair and efficient manner in which the work of the Committee had been conducted by Mr. Graham.

The Chairman, Mr. R. T. Graham, replied thanking the members of the Committee for their co-operation and help in solving the problems before the Committee. He also expressed the appreciation of the Committee for the services rendered to the Committee by the committee reporters and the clerk of the committee.

The Committee then adjourned to meet again at the call of the Chair.

WALTER HILL,
Clerk of Subcommittee No. 2.

SUBCOMMITTEE No. 2

MINUTES OF EVIDENCE

July 8, 1941.

The Subcommittee met at 3 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: I wanted to get you together so that we could feel together and know the paths along which we intend going. I think perhaps it would be wise to read over just what has been assigned to us. It is a slightly changed inquiry from what we had before. First we find medical, dental and hospital services in the army, navy and air force. Next is food and other supplies. That is extremely general, or is meant to be, including miscellaneous services, inspection and distribution thereof, as well as the salvage of waste.

I rather think that our committee has plenty of scope for lots of hard work, and with your permission I had arranged to-morrow for the head of the medical services, Brigadier Gorsseline to appear at three o'clock. He would be followed by the head of the dental corps, Colonel Lott.

If the members of the committee have any suggestions as to how we had better approach the inquiry, I shall be glad to have them.

Mr. PICARD: Exactly what is it we are looking into just now, the expenses of hospitals?

The CHAIRMAN: Yes; the set-up and the expenses.

Mr. PICARD: I suppose the best thing to do would be to get an idea from these men and then if we have any doubts as to the extent and the advisability of the expenses we could ask them questions and make further inquiries. I suppose we had better let them start and give us the details of their set-up, and so on, and then later go into a discussion and ask them for any further information we desire.

The CHAIRMAN: I would think that, roughly, is the idea. Do you think so, Mr. O'Neill?

Mr. O'NEILL: I think so, there is just one question I should like to ask, Mr. Chairman. I am going to put a hypothetical case to you to see whether it comes within our jurisdiction. A man joins the army as an A-1 man; he becomes ill and then he is discharged from the army while he still requires treatment. He is discharged as medically unfit for further service but he still requires treatment and is not receiving treatment from the army. Would a case of that kind come under our jurisdiction?

The CHAIRMAN: I would say off-hand that it would not come under our jurisdiction; that is a matter of policy. Do you get my point?

Mr. O'NEILL: Yes.

The CHAIRMAN: If the committee wants to go into a case like that—

Mr. O'NEILL: Oh, no; I do not want the committee to go into special cases.

The CHAIRMAN: I think our task is to examine into the financial expenditures and see if we can economize or eliminate waste or extravagance, and things of that nature.

Mr. HARRIS: Under that suggested duty which we have to perform, you have presently in the Department of Pensions and National Health, I think, carrying the title of Assistant Deputy Minister, a man by the name of McKee.

The CHAIRMAN: Yes.

Mr. HARRIS: I am rather of the opinion that he has had considerable experience in the operation of military hospitals in Canada, and I think, subject to your own investigation, that he might be a valuable man to call before this committee to give us some evidence as to what they are actually doing, and draw from him some suggestions as to how economies might be effected in the circumstances.

Mr. PICARD: There is evidently some relation between the Department of Pensions and National Health and what we are investigating.

The CHAIRMAN: Yes.

Mr. PICARD: Because, if we are going to pay more pensions, and so on, there may be some waste which could be avoided by giving proper treatment now, or by avoiding taking in men who should not be taken in. There is apparently some relationship between the two.

The CHAIRMAN: Mr. O'Neill's question almost brings that up. Where you draw the line, I could not tell you.

Mr. Sissons: We should not try to cover the work that has already been covered by the special committee on pensions.

Mr. PICARD: Oh, no. If we examine the officers of the Department of National Defence we can probably learn from them points on which we would like to be enlightened as to consequences of enlisting undesirable people who would come up later on under the care of the Department of Pensions, but avoiding questions of principle that have been dealt with before the committee on pensions.

The CHAIRMAN: Personally, I do not think we need be afraid of any line. If we find that our task goes into the viewpoint of the Department of Pensions and National Health, in the pursuit of our inquiry I do not think we need be bound.

Mr. HARRIS: Mr. Chairman, is it not a fact that military hospitals are being operated at the present time by the Department of Pensions and National Health?

The CHAIRMAN: Yes.

Mr. HANSELL: I think we should first get the general picture and then analyse and go into any details we think require going into, and before we are through we should co-ordinate these various matters.

The CHAIRMAN: I think we are all agreed on the general system, as Mr. Hansell puts it, to get the background and then analyse it as the picture unfolds. I do suggest this, that obviously, none of these is a subject that has not been studied before—medical, dental and hospitalization. There have been a great many minds directed toward these subjects. Wherever there is any authoritative work or shrewd summation of what people have found in the past, I think we could all improve our minds by investigating such work.

Mr. PICARD: Do you have any suggestions to make to us as to material that would be helpful to read and fill in our evenings when the weather is warm?

The CHAIRMAN: I asked Mr. Hardy to be here to-day to do that very thing, but he fought shy of the task when I put it to him. He pointed out, as did Mr. Harris, that the Department of Pensions and National Health should be able to instruct us on certain matters.

The subject of the salvage of waste is the very gist of our inquiry, and I would still like, Mr. Harris, if you could find time to prepare a memorandum for the committee on that matter. You did some years ago; do you think you might be able to do that for us now?

Mr. HARRIS: During the interval during which we have been more or less in recess the Wartime Trade Board called in a representative group of industries to meet them. I was not invited. I do not know much about it, and I am not speaking officially at all. I know that they were called in from all across Canada under the chairmanship of Mr. McKinnon. A lot of depositions were made as to what might be done in Canada or what ought to be done in Canada, and they met us more or less officially in a way, inasmuch as it was called by the Wartime Trade Board. Mr. Chairman, these were industries that were called in, the heads of industries. The outcome of that meeting was that a committee was struck to report on parts of Canada. I would rather what I am about to say now would not go on the record because it is not official.

The CHAIRMAN: Very well.

—On resuming:

Mr. SISSONS: This committee could call that committee before us.

Mr. HARRIS: If we desired it.

The CHAIRMAN: I think this committee should keep in mind that it is not only our privilege but our duty to call every source of information. That is what we are here for. There must not be avenues closed to us or we would destroy the work of the committee. The minute you close an avenue you obstruct the work of the committee, because it might be an avenue we want to explore. I think as Mr. Sissons. It might be wise for us to ask Mr. Harris if he would be kind enough to keep an eye on that and report.

Mr. SISSONS: Yes. Then we might call the chairman of that committee.

The CHAIRMAN: And those men who made the surveys?

Mr. SISSONS: Yes. That is what we want.

The CHAIRMAN: Yes. They have probably pretty shrewd minds.

Mr. HARRIS: You will recognize that they are probably doing it from the point of view of their own business interests purely.

The CHAIRMAN: Yes.

Mr. HARRIS: This next observation I wish to make might go on the record, if you felt so disposed. The other group in Ottawa that are exercising some control over the subjects that we are delving into are, for example, the wool administrator, the steel administrator and the non-ferrous metals administration and those others that have to do with the waste from all those munition plants.

The CHAIRMAN: And the oil?

Mr. HARRIS: No—steel clippings and iron filings and so on, and wool waste from cutting up of the khaki cloth, and salvaging. When a firm gets a contract to make 20,000 uniforms, they will also be supplied by the government with so much cloth that they can use for that. There is no one charged with the responsibility with what happens to the waste from the discharge of that contract.

The CHAIRMAN: Just off the record, Mr. Harris, just what does happen to that waste?

—On resuming:

Mr. HARRIS: I was last week in one factory in Kitchener where there was enough khaki waste from the cutting of army uniforms to fill this whole room that high—things which looked as though they might have been sweater coats for the men that the men wear. I do not know whether they issue such a thing

or not. It looked like it. The leather trimmings on the wool were being separated by a carbonizing process, and that wool was then being reclaimed. I went right through the whole plant. The wool was being reclaimed by the destruction of the vegetable and the leather and the cotton that sewed the leather on to it and then being made into shoddy. I actually saw samples of shoddy going back, khaki shoddy going back for the making of great-coats for the boys for next winter. I also saw samples of some stuff going back for the filling, as they call it, of khaki blankets. The contractor had an order for army blankets, incorporating into that order about 25 per cent of shoddy which was reclaimed from the clippings of the previous contract. Do you see the ring? The amount of control over that is something that we ought to confirm.

The CHAIRMAN: Yes.

Mr. HARRIS: They are important things and I think, Mr. Chairman, they should come under our review.

The CHAIRMAN: Yes. For Mr. O'Neill's and Mr. Hansell's information—you may have noticed it of course—up until now our inquiry was confined to the salvage of foodstuffs. Now it is open to salvage as a whole.

Mr. HARRIS: That is one of the criticisms I have, in the way that is worded. I did not bring my copy with me. May I look at yours? It should have been separate sentences, because you hook up the word "waste" there to "food supplies." When you look at this you think right away of the waste of food.

The CHAIRMAN: Yes, but that is not true.

Mr. PICARD: It says also "and other supplies".

Mr. HARRIS: We have not had enough emphasis on "other supplies".

The CHAIRMAN: This is off the record.

—On resuming:

Mr. PICARD: There is one point which Mr. Harris' remarks brought to my mind. If we are going into all kinds of supplies now, we will have to investigate not only the control of the purchases made by the departmental officers of Munitions and Supply, which has already been explained to us, but also the control of what is done by the companies formed by the department or by the government.

The CHAIRMAN: That is right.

Mr. PICARD: Up to now we have not the information of what amount of control there is of purchases, of qualities and so on. These companies are set up more or less independently, with the idea of producing results quickly and without red tape and so on. The first thing, the main thing, is to act quickly and without red tape, but a very important thing too is control. The purchases made by these companies after all are made for the government, according to government subsidies and so on, from public money. We want to know how they are controlled, how their purchases are made, what is their system, what sort of control there is, remotely or otherwise, of all these corporations for the different supplies that they manufacture for war purposes.

The CHAIRMAN: Incidentally, because we are talking on general terms here, I notice the practice of the British committee—and I can see a lot of value in it, and I know you will too—is to lay stress not on speed but curtness in the evidence that they are taking. There is not much sense of us spending two hours taking evidence that could easily be secured in one half hour. Do you not agree with that?

Mr. PICARD: Yes, that is true.

The CHAIRMAN: What we should get is the pith and the substance, and from there go on to examine into the practical application of the set-up. Have any of you any suggestions about that?

Mr. HARRIS: Before you finish defining policy, I would like to make another observation on another line of activity. Canada is supposed to be a country that produces wool. Now our government have formed the Melbourne Merchandising Company, an organization that has taken charge—I am just looking it up here now—of the conduct of the supply of wool, the export of wool and what portion of Canadian wool or Australian wool or New Zealand wool will be used in certain contracts that the government are letting. For example, the Canadian content, as I understand it—and this is open to correction—in a garment may only be 25 per cent; 75 per cent must be supplied by an organization known as the Melbourne Merchandising Company and only 25 per cent Canadian wool be used. I have a letter which came to my box just now where Canadian manufacturers just refused to buy any Canadian wool because they have their supplies being allocated to them by this merchandising firm.

Mr. HANSELL: Do you know of any reason for that?

The CHAIRMAN: I assume the Melbourne organization is a government organization?

Mr. HARRIS: Yes, it is a government organization. In the broader sense, in the matter of Canadian economy, is it sound that an arbitrary figure of 75 per cent should be set and lived up to, even though the wool crop might be different this year than in other years, and even though Canadian warehouses have Canadian wool which they are unable to dispose of? I am of opinion that in the broad sense, with regard to these men charged with the administration of wool, for example, sugar and hides administrators, and all these men, there should be some method found to let them know that we here on this committee are watching their activities.

The CHAIRMAN: That is right.

Mr. HARRIS: And expect them to take a very broad Canadian view of it, looking after the producers in Canada on the one hand and exercising economy on the other, and in the third place to see that there is no waste going on, and the waste that is accumulating is not being used as a profit for unscrupulous contractors in all lines of activity.

The CHAIRMAN: Yes, I think that is right.

Mr. HARRIS: Keep that thing on the big scale, if you understand what I mean.

Mr. GLADSTONE: One would think that the matter of specifications would have been very thoroughly studied by experts in the wool business.

Mr. HARRIS: Quite.

Mr. GLADSTONE: It is possible that 25 per cent Canadian wool is the maximum that can be used in the quality they require, Canadian wool, as I understand it, being shorter than Australian and New Zealand wool.

The CHAIRMAN: I think that is right. I assume Mr. Harris' point is that if, in our national economy, we can use 35 or 40 per cent, we should? Is that not your point?

Mr. HARRIS: Yes.

The CHAIRMAN: If we can use that economically, soundly and wisely, let us use it.

Mr. GLADSTONE: We would need to call the experts on specifications.

The CHAIRMAN: Yes, that is right. But that is your point, Mr. Harris?

Mr. HARRIS: Yes. From the point of view of national economy first.

The CHAIRMAN: I thoroughly agree with that. That is exactly what we have got to do. Is there anything else?

Mr. PICARD: You suggested a moment ago that we should work on different subjects ourselves?

The CHAIRMAN: Yes.

Mr. PICARD: That is a good idea, but there is this feature of it to consider. I do not want to come back on this too often. There is the question of lectures by the advisers, or prominent men in a department. If a man who is to appear before us has a written statement of many pages, would it not be better that this should be distributed to us a day in advance, rather than have the man come here and read for an hour, thus using part of our time. Then we have not had time to assimilate his views well enough. Oftentimes if we had his memorandum distributed a day ahead, we could read it in advance and could have in our minds a lot of questions which might be proper to ask him, in order to give us a better picture. During the first stages of the general committee I remember day after day listening to very interesting people who were giving us lectures but we could have read it in our spare time, and this summer we have a lot to do.

The CHAIRMAN: I agree with you. I expect we will not be able to do that with the first couple of witnesses, but if you will leave the matter with me I will consider it, because I agree with you that we could save a lot of time if that were done.

Mr. PICARD: Yes, if we had the briefs a day in advance so that we could assimilate the contents and save time when we come to ask questions. The questions would be more to the point because we would have time to read what the witness intends saying to us.

The CHAIRMAN: I think that can be done. As a rule, they strike off eight or ten copies, or as many as we want, of the prepared submissions by the department. If we have time, we can get these one or two days in advance.

Mr. PICARD: We should have copies made for each member.

Mr. O'NEILL: The two witnesses who are coming to-morrow will not have them?

The CHAIRMAN: No.

Mr. O'NEILL: Would it not be quite proper for the chairman to suggest to them that after they have been here they prepare a brief?

The CHAIRMAN: They will give us that, but Mr. Picard's point is that we should have the briefs the day before.

Mr. O'NEILL: Yes. If we had them to-night we could read them over.

The CHAIRMAN: To-morrow, the witness will have a copy for each member.

Mr. PICARD: The point is that we should have the opportunity of reading it a day in advance.

The CHAIRMAN: As your chairman I shall be very happy indeed to receive suggestions as to how the work of the committee can be carried on to better advantage. I think we must all co-operate. It is not an easy task, and it may be that I can assist. I know I shall be happy to receive suggestions from the members. We did not have any trouble before.

Mr. PICARD: That is why we have been so happy. We all felt free to ask for anything and say anything, and everything was done in the best of spirits.

Mr. GLADSTONE: By way of preparation for to-morrow for Brigadier Gorsseline, our questioning ought to be systematized; it ought to be directed at one time to one particular topic and completed before going on to another topic.

The CHAIRMAN: I agree with you.

Mr. GLADSTONE: On the army and on the air force and on the navy as well as on the non-permanent force and on the C.O.T.C., and so on.

The CHAIRMAN: If we had a counsel, that is a duty which would devolve upon him. As we have no counsel we shall simply have to use our common sense, but you are right.

Mr. GLADSTONE: We do not want to be running all over the ground.

The CHAIRMAN: We are inclined to do that.

Mr. GLADSTONE: Yes.

The CHAIRMAN: I think we shall have to feel our way and see what we can do. I have often pondered on that, but I do not see how we are going to get around it, unless we appoint one of the committee as counsel. Would you care, Mr. Sissons, to assume the task of acting as counsel for the committee?

Mr. SISSONS: Oh, no.

Mr. PICARD: To-morrow we shall have to feel our way and act according to our best judgment, but when we have come to the point where we can get the report beforehand the witness can start his report and then our questions could be directed to each item as he proceeds and the chairman would not permit us to jump to conclusions on questions which may be contained at the end of the report before we have finished with what is contained in the beginning of the report. We should then carry on systematically, paragraph by paragraph, and each of us in turn can ask any questions he wants to ask on those paragraphs, but not to anticipate and jump ahead and ask questions that may be dealt with later in the report.

The CHAIRMAN: Yes, if we can wisely discipline ourselves to adopt that practice.

Mr. SISSONS: It is going to be of great advantage to us if we can get these briefs beforehand. Often a question arises in your mind and you want to have it dealt with but probably find it covered later on in the report.

Mr. PICARD: Sometimes a question arises in our minds and as we do not know what is contained in the report we ask the question and then find that the same question is dealt with further on in the report; so if we had the whole thing in advance we could save time by waiting until the specific question arose in the brief.

Mr. O'NEILL: Mr. Chairman, I do not know whether this properly comes before the committee or not, but we are finding that the medical men are taking men into the army and after these men have been in the army for thirty, sixty or ninety days, they are discharged as medically unfit and their disability is shown on their discharge paper as a pre-enlistment condition. There is a terrible waste there when you take a man into the army and keep him three, six or nine months and then discharge him. There is a terrific waste, and it seems to me you are bogging down your enlistment effort because you are enlisting men you cannot make use of. I do not know whether that comes under the work of this committee.

The CHAIRMAN: I would say that that definitely comes before this committee. Wherever you can save a dollar, I would say that that matter comes within the jurisdiction of this committee.

Mr. PICARD: I was looking at some figures that were given to me regarding this matter and they seem to indicate that a very great improvement has been made over the last war. During the last war a number of men, even after they had reached England, were sent back for troubles which they stated were pre-enlistment troubles. While this has not been done away with entirely the number has been substantially reduced. I do not have the figures in my possession, but according to the figures that were shown me there is quite an improvement, as far as that matter is concerned. X-rays, and so on, have been made compulsory in each case for this war, and such was not the case during the last war.

Mr. O'NEILL: But there really should not be any cases at all except cases which baffled the medical men. Sometimes a man will have something wrong with him and although he may be examined by all the doctors in the country they fail to find it.

Mr. PICARD: That would be an exception.

Mr. O'NEILL: But there is no excuse for this other state of affairs existing.

The CHAIRMAN: That would be saving money, and it should come from this committee. We sometimes get swamped by words, but wherever anyone of you can bring down to a practical application the saving of moneys under the different headings allocated to this committee, I suggest we should do it; I do not care how small it is; the smallness may often be an indication of a wasteful attitude.

Mr. PICARD: I think we should also investigate ourselves a little further after questioning some of the witnesses. For instance, there is one item I want to bring up which arose out of our visit to Petawawa. There was an officer there—I do not know whether he was accompanying the quartermaster-general or was one of the junior officers—who, when speaking about tomato juice or tomatoes, said it was impossible and impracticable to have them in big containers. I have recently purchased through retail sources two and a half pound cans. If anybody can buy them the army should be able to get them in bigger containers, and at times it might mean the saving of money. We were told they were not put up in large containers and we took that for granted. As we are not experts we accepted what we were told. Oftentimes when we have an idea of that sort we should pursue it a little further ourselves.

Mr. HARRIS: The moral is, Mr. Chairman, don't take anything for granted.

The CHAIRMAN: No; I agree with you. I often think a wise attitude for a member of a committee to follow is to be completely open to reason but to approach everything with a touch of cynicism. I do not mean in a cheap way, but do not be afraid to ask questions because that is our task.

At 3.50 p.m. the committee adjourned.

July 9, 1941.

The Subcommittee met at 3 o'clock. The Acting Chairman, Mr. R. W. Gladstone, presided.

The ACTING CHAIRMAN: Gentlemen, I think we have a quorum. Mr. Graham came to see me since noon. He has been called to a conference that will detain him for a while and he asked me to act for him until he could drop in later on in the afternoon.

We have with us to-day in order to commence the study of medical services in connection with our war effort Brigadier Gorssline, whom I just merely met, and I have had no opportunity to familiarize myself with the nature of the work under his direction. He has come before us to introduce the subject, and to assist us in any way he can with the study we have in hand. I think perhaps it would be in order to let Brigadier Gorssline proceed, as he no doubt has in mind the laying of a foundation for us of an understanding of the work that he is carrying on.

BRIGADIER GORSSLINE, D.S.O., Director General Medical Services (Army), called:

The WITNESS: Well, Mr. Chairman, I have prepared a memorandum showing the growth, progress and work of the medical department of the army up to date.

By the Acting Chairman:

Q. Perhaps at the beginning you might just give us briefly your own connection with the service and your medical background, if you will?—A. I have been in the regular army medical services for thirty years. I was a graduate of the University of Toronto in medicine and of McGill University in public health.

By Mr. Harris:

Q. What year at Toronto?—A. 1911, sir.

Q. I was a senior myself, but I don't remember meeting you there.

The WITNESS: I was a graduate of McGill University in public health and went into the service in 1911. I served during the last war, being a regimental medical officer. I was with a field ambulance, and on the staff of a Canadian division, Canadian corps, and on the staff of the Director General in London. Since the last war I have served in Canada in various capacities on the staff of the D.G.M.S. at Ottawa, and District medical officer in M.D. 6 and M.D. 4. At the outbreak of this war I was District Medical Officer in M.D. 4.

By the Acting Chairman:

Q. That is where?—A. Montreal, sir—and I came to Ottawa in 1939 to take over the duties of Director General of Medical Services, and I have been here since.

Q. Well, I think that is satisfactory as an introduction; if you will just carry on.

The WITNESS: I have about fifteen pages of type script which I think will give you a very good idea of the working of the medical department of the army. If you like I will read it for you and you can ask any questions whenever you so desire.

Mr. PICARD: Since the Brigadier has put his military record before us I think we should notice that on the battlefield he was awarded the D.S.O.—that is one thing he forgot to tell us and I think we should have it on the record.

The ACTING CHAIRMAN: That is an admission of modesty.

Mr. PICARD: Yes.

Mr. HANSELL: Might I ask whether the reports are to be printed and circulated?

Mr. PICARD: No, that is decided later on in the general committee. The last time we were sitting we passed a motion that our proceedings up to the time of the adjournment of the house would be printed. That is a matter that has to be decided later on.

Mr. HARRIS: Before the Doctor proceeds, I move that the evidence before us be printed.

Mr. PICARD: I do not know that we have any authority to decide that, that has to be done by the general committee which has the authority.

Mr. HARRIS: I understood, Mr. Chairman, that at our meeting yesterday we would proceed in the same way that we did at the last session.

Mr. PICARD: That is what we did at the last session. I seconded your motion before the main committee to have these proceedings printed, and I remember at that time it was definitely stated that the subcommittee had no authority to decide on printing.

The ACTING CHAIRMAN: It is my understanding that there is some very definite rule by which only four copies of the evidence are typed.

Mr. HARRIS: The evidence of subcommittee No. 2 is to be printed.

Mr. PICARD: That was decided for evidence given up to the time of adjournment. I would be ready to move the same motion at the proper time again. I do not know that we can promise that it will be done. I see no objection to it, but I do not think we have the authority to decide it ourselves. That is a matter for the general committee to decide.

The ACTING CHAIRMAN: I think we ought not to depart from any rule laid down by the main committee without some authority to do so.

Mr. HANSELL: The only point is that if it is not going to be printed some of us would automatically consider making copious notes; if it is going to be printed we will not need to make them.

Mr. PICARD: There are two copies of the evidence left in the hands of the clerk of the committee where we have access to it as soon as it is received from the reporting staff. I know that earlier in our sittings I used to go to the office of the clerk every day and take notes of such matters as I wanted for my own information. There are two copies in his office at all times at our disposal.

The ACTING CHAIRMAN: I think, Mr. Hansell, it would be well to take notes. I am hardly in a position, acting for the chairman to-day as I am, to make any departure from any practice that has been laid down.

Mr. PICARD: As I understand the procedure, the notes taken at each sitting are available to us the following day; and following our earlier sittings we had a meeting with the general committee and Mr. Harris I think moved and I seconded, a motion to have the reports of our committee, the minutes of our committee, printed; and that was approved. And now, I am ready to do the same thing this time; but I doubt if we have the authority ourselves to decide that. That is a matter for the main committee to decide. We have copies of everything that is said available to us the day following our sittings.

The ACTING CHAIRMAN: The chairman also would have a typewritten copy which he would gladly loan to you in order that you may read it. Well then, would you proceed?

Mr. HARRIS: Shall we proceed on the understanding that we are not accepting your suggestion that we accept the chairman's copy of the minutes of this committee, and that we are going to ask that these be printed?

Mr. PICARD: That can be done after we have sat. We do not know that one day there may not be a witness before us giving evidence of such a nature that it should not be printed. We are to have before us directors of the army and there are many things they might feel should not be printed for the public and for the information of the enemy. We cannot in advance say if we are to have this printed or not. It is after we have completed our sittings that we should decide whether or not the evidence should be printed.

The ACTING CHAIRMAN: You are quite free to bring the matter up again when the chairman is here.

Mr. Sissons: I think we are all in agreement on this.

The ACTING CHAIRMAN: All right. Will you proceed, please?

The WITNESS: *Memorandum, Army Medical Department—July 9, 1941.*

1. General Policy

Before the onset of this present conflict, the Royal Canadian Army Medical Corps provided medical and dental services to the personnel of the Royal Canadian Navy, Royal Military College, the Active Militia and Royal Canadian Air Force (Permanent and Non-permanent Forces). Medical Services were also maintained for personnel of the Non-permanent Active Militia during their annual training at summer camps.

Following the outbreak of war, it became necessary to expand the Medical Services and put the whole organization on a war basis, to function effectively in its various activities. This naturally meant an enormous increase in personnel and equipment.

The policy to be adopted was of necessity dependent on the general defence policy, the necessities and exigencies of the situation, for medical policy is not independent but must conform with and subordinate itself to the general operations. Medical science has advanced in the last few years to the extent that provisions not heretofore made had to be provided.

Provision had to be arranged for:—

- (a) Boarding of recruits.
- (b) Prevention of disease.
- (c) Care of diseased and injured members of the forces.
- (d) Medical provision of national war services.
- (e) Re-examination with new inaugurations X-ray, urinalysis, etc.
- (f) Re-boarding for classification of category and discharges.
- (g) Care of invalids returning from overseas.
- (h) Hospital ships and trains.

In order to provide for the above, the present medical establishments of the army are:—

D.G.M.S. Directorate (Appendices I and II).

Home War Establishment of the Districts, D.M.O. and Sub-Staffs (Appendix III).

Home War Establishment—Permanent Hospital Installations (Appendix IV).

Canadian Army Active Force Medical Units.

Medical Officers to Units.

Nursing Service.

The ACTING CHAIRMAN: At this point, glancing at Appendix II, I am sure it would be helpful if each member of the committee could have a copy of this, if not now later on.

The WITNESS: Very good, sir. How many copies would you like, sir?

The ACTING CHAIRMAN: There should be seven and the same would apply to the other appendices that are being filed.

The WITNESS: Very good, sir; I will do that.

The ACTING CHAIRMAN: I would think that after you have gone through what you have prepared it would be advisable to have this material in the hands of each member of the committee for study against the time when you might appear before us again. I think it would be helpful if members were familiar with the set-up, which appears to be very completely displayed here.

The WITNESS: Perhaps, sir, you would like me to bring seven copies of my script as well as seven copies of these appendices?

The ACTING CHAIRMAN: I think it would be best if you could anticipate your coming. You might have copies forwarded to us so we could go through them before the next occasion on which you appear here.

The WITNESS: When would that be?

The ACTING CHAIRMAN: Mr. Roy Graham is chairman of the committee and he will let you know through our clerk. You might send copies to the clerk instead of to Mr. Graham.

The WITNESS: Very well.

Continuing:

The shift from a peace to a war time basis has been made without any break in continuity, and has entailed considerable increase in work commensurate with the necessary expansion of each branch of the Service. To begin with, the pressure of work has greatly taxed the administrative strength of the Medical Directorate at National Defence Headquarters and made it necessary to increase the staff by ten-fold. Early at the start, medical units were brought up to full strength and trained. The provision for, and the training of, such units had to be carried out while having such personnel inoculated, vaccinated and documented. At the same time the personnel were utilized in caring for the sick of the various units. This naturally caused considerable detailing and attaching of medical officers within districts in order to prevent the taking on of those for overseas units earlier than was necessary.

2. Examination of Recruits

In the first instance large numbers offered themselves for enlistment and these had to be examined. For this purpose many boards had to be formed in each district. The best possible medical officers available were secured and at the present time the regulations demand that one Canadian Army (active force) Board as a Standing Medical Board operate in each district, and other physicians may be employed on a part time basis, if and when required, according to the necessity of examinations. In each Board an effort is made to have a R.C.A.M.C. officer as President. The primary object was to secure fit men.

3. Hospitals in Canada.

In 1939 small military hospitals used largely for the treatment of mildly ill cases were in operation. Of these, there were ten (10) with a total capacity of three hundred and seventy-two (372) beds. With the sudden increase in troops consequent upon enlistment, arrangements were made with the Department of Pensions and National Health by which the sick might be treated in the D.P. & N.H. and civilian contract hospitals at the discretion of the Department of National Defence.

At the present time there are 72 military hospitals on the Home War Establishment and 2 in Newfoundland, bringing the total capacity to over 5,900 (approximately 4%) beds. Of these 33 are connected with training centres.

There are also 27 hospitals for prisoners of war and internees of from 10 to 50 beds, with total capacity of 500 beds.

4. Medical Units for Overseas.

The following medical units have been mobilized:

Field Ambulances	13 of which 9 are overseas
Light Fld. " "	4 of which 1 is " "
C.C.S.	4 of which 2 are " "
General Hospitals (600 beds)	4 of which 2 are " "
General Hospitals (1,200 beds)	2 of which 2 are " "
Neurological Hospital	1 of which 1 is " "
Convalescent Depots	2 of which 1 is " "
Field Hygiene Section	6 of which 3 are " "
Motor Ambulance	
Convoy	1 of which 1 is " "

The number of beds available overseas is at present 5,000.

5. Personnel.

With this marked increase in establishment, one can readily understand the great need for medical officers to staff these hospitals.

The following table shows the strength increase since September, 1939.

R.C.A.M.C. STRENGTH				
As at	Sept. 1939	Dec. 1939	Dec. 1940	June 30th, 1941
Medical Officers..	40	340	978	1,024
				718 Canada 306 Overseas

By the Acting Chairman:

Q. That is for all services?—A. No, sir. That is for the army. Continuing:

As at	Sept. 1939	Dec. 1939	Dec. 1940	June 30th, 1941	
Nursing Sisters	12	142	453	673	437 Canada 236 Overseas
Quartermasters	2	23	60	76	60 Canada 16 Overseas
Lieut. Dispensers	..	..	5	5	2 Canada 3 Overseas

As at June 30th, 1941

Air	..	M.O's	311 Canada	}	319
		"	8 Overseas		
		N/S	75 Canada		
Navy	..	M.O's	70 Canada	}	94
			24 Overseas		

In presenting these figures, it must be realized that early in 1941, authorization was granted for the formation of a separate medical service for the Royal Canadian Air Force. Since the beginning of the war, 211 officers and 37 Nursing Sisters have been struck off strength, 183 of whom resigned their commissions on their appointment to a commission with the Royal Canadian Air Force Medical Services.

The R.C.A.M.C. personnel are distributed across Canada as per Home War Establishments which detail the number required for each hospital or District Staff (Appendices III and IV).

Every effort has been made to see that medical units include specialists as required. In some instances, repostings were necessary from one field unit to another in order to get the proper balance of professional personnel in each unit. The problem of selecting suitable medical officers has always been a difficult one and in this connection, the Canadian Medical Association has been most helpful.

Recently, authorization was granted for the appointment to the Royal Canadian Army Medical Corps of medical officers who were graduates of the universities of the United States and the British Empire whose academic standards are such as are acceptable to this directorate.

Training—Two courses in Tropical Medicine have been held to date and another is contemplated in the very near future. Two courses for X-ray Technicians, one course for Laboratory Assistants and a four months' course for Radiologists has just been completed.

An R.C.A.M.C. Training Centre was established to provide training of officers and O.R. for reinforcements.

6. Medical Supplies

The organization for the supply of medical stores consists of—

- (a) The A.M.D. 3 Department in the D.G.M.S. Directorate.
- (b) Central Medical Stores at Ottawa.
- (c) District Medical Stores located in each Military District.

Contract Demands are made out in the A.M.D. 3 Department and forwarded to the Department of Munitions and Supply, by whom purchases are made. Drugs, dressings, surgical instruments, apparatus, etc., are supplied in this manner.

The goods are shipped to C.M.S. from the various manufacturers and are there taken on charge. D.M.O. requisitions on the C.M.S. for supplies required for the hospitals and medical units in their Districts. These supplies are shipped from C.M.S. to D.M.S. as required. Ledgers and complete accounting systems are maintained in Central and District Medical Stores; the ledgers being forwarded annually to the Stores Audit Branch.

The Naval Department and Air Force Medical Service utilize these Stores for their supplies.

For the purpose of obtaining supplies in an emergency, each D.M.O. has authority to purchase up to \$50 per month and the C.M.S. up to \$500 per month. These local purchases are strictly controlled and consist mainly of sera, vaccines, and drugs required for particular cases.

C.M.S. also supplies the equipment for the Canadian units overseas. This equipment is collected at the Stores and shipped at intervals.

Standard equipment is laid down for each hospital. Only the articles on the list are supplied unless particularly demanded by a medical officer.

7. Consultant Department

Early in October, 1939, a Consultants' Branch of the D.G.M.S. Directorate was organized. It is composed of a number of highly qualified medical officers of outstanding ability in their various specialties. The Consultants at present employed are in Medicine, Surgery, Hygiene and Radiology. These officers have rendered valuable advice and assistance on questions of a professional and scientific nature. Among the problems studied and regarding which advice has been given are the following—blood grouping and transfusion; physiotherapy and occupational therapy; facial and plastic surgery; selection of medical equipment and supplies; standards of physical fitness; new methods of treatment; X-ray examinations; psychological tests, etc. The Consultants have also formed a valuable connecting link with the National Research Council; the Canadian Medical Association; the Provincial Medical Associations and various other scientific societies.

8. New Scientific Advances

Certain very definite advances have been made and notable among them is the taking of X-rays of chest of recruits on enlistment and discharge. As stated, 1.6 per cent have been rejected because of chest conditions diagnosed by X-ray on enlistment, but this procedure is believed to be a valuable one from the standpoint of pensions in later years. Another notable advance has been the development of a combined TAB Vaccine with Tetanus Toxoid.

This is now being widely used in Canada for immunizing purposes and does much to reduce the work of the medical officers. In collaboration with Connaught Laboratories of the University of Toronto, supplies of concentrated human serum were issued to all medical units of this Department, both in Canada and overseas. It is of note that during the year a process was developed for the elimination of the blood cells and desiccating the serum from blood donated by the public. Supplies of all dried serum are now available and have been issued to all medical units in Canada and overseas. This article can be stored indefinitely and by the addition of distilled water is readily available for use.

9. Cases Treated

An analysis of the number of admission to hospitals in Canada shows—

Patients treated in hospitals for the period 1st January, 1940, to 31st December, 1940, were 75,618.

By Mr. Harris:

Q. That will be the patient days, I presume?—A. No. That is the actual number of patients treated.

Q. Individuals?—A. Yes.

Q. Have you the patient days there?—A. Yes. Continuing:—

	Admissions	Percentage of admissions
Military Hospitals	46,302	61.2
D.P. & N.H. Hospitals	16,371	21.7
Civilian Hospitals	12,945	17.1

During the year the average number constantly sick was 2,326.5, which is 27.3 per 1,000, or 2.73 per cent.

The average days in hospital—11.3.

Influenza and colds were responsible for about one-quarter of the admissions and about one-fifth of the time lost. It is well known that communicable disease occurs with greater frequency amongst men unaccustomed to exposure to crowd infections and this factor is particularly evident in the consideration of a force of newly enlisted men. The importance of respiratory diseases is plainly indicated when one realizes that it causes about three to four times the percentage number of hospital admissions as does the next highest cause.

To April 30, 1941, 328,325 recruits had X-ray of chest for enlistment in the Canadian Active Army, R.C.A.F. and Royal Canadian Navy. Of these 5,273 were rejected, which is 1.6 per cent. Approximately 58 per cent of these rejected were shown to have pulmonary tuberculosis and 21 per cent other lung disease. Sufficient time has not elapsed to enable a judgment to be formed as a result of the early X-ray of all chests in relation to incidence and deaths from pulmonary tuberculosis.

For the first twenty-one months of the war, a considerable number of men were boarded out as medically unfit from the Canadian Army. Disease of the respiratory system, other than tuberculosis, lessened visual acuity, peptic ulcer, ear and mental conditions, accounted for over 40 per cent of those discharged for medical reasons after attestation. The standards for the medical examination of recruits (see Appendix V), in so far as visual acuity and ear conditions were concerned, are high, so that the large number of those found medically unfit is largely the result of a careful re-examination of recruits.

There is one other important factor to be considered in any discussion involving the welfare of newly enlisted soldiers. The change from a sedentary

occupation to the active force does much to show up any hitherto disguised disability. This must ever be taken into account and in many, is only discernible after months of active training. For this reason alone, it is so essential to have frequent re-examinations.

10. *Co-operation With Other Services and Departments*

Every effort is made to prevent duplication or over-lapping of the different services, hospitals requirements and expense. The D.P. & N.H. hospital beds and facilities are used wherever available and close co-operation exists between that department and the department of National Defence. Where it is feasible and possible, personnel are loaned in emergency from the Department of National Defence to the D.P. & N.H. and also the Department of National Defence takes advantage of the specialistic services of the D.P. & N.H.

Also, there is close co-operation between the navy and army medical services. The navy have two medical officers with an office in the same building as the D.G.M.S. Directorate and are in constant consultation with that staff.

The examinations for recruits for the naval service are carried out largely by the medical officers of R.C.N.V.R. Divisions through existing facilities, R.C.A.M.C. officers sit on naval medical boards. All hospital accommodation throughout Canada is provided for the navy by R.C.A.M.C. or D.P. & N.H., other than a limited number of beds on the West Coast. The navy provides medical officers on board their own ships and a certain number at both coasts.

Up until recently, the Air Force Medicals were part of the R.C.A.M.C. but now have a separate organization. However, here again, throughout Canada there is close co-operation in existing facilities, both services working in close liaison; for example, if the air force has a hospital, the Department of National Defence admits its patients to that hospital if there is sufficient accommodation, and vice versa.

In connection with requirements for hospitals, the Inter-Departmental Hospital Committee, with the D.G.M.S. as Chairman, and members consisting of the Senior Medical Officer, R.C.N., the D.M.S., R.C.A.F., and the D.M.S., D.P. & N.H. sits in relation to requirements of hospital accommodation and arranges that there is no overlapping or undue costs. At the last meeting of this committee the president and secretary of the Canadian Hospital Council attended.

By Mr. Harris:

Q. What is the name of the president?—A. Doctor Agnew is the secretary of the Canadian Hospital Council.

Q. I thought you mentioned the president and secretary?—A. I do not recall the name of the president. Doctor Agnew is the secretary.

The general principles were adopted of using civilian hospital facilities where conditions warranted but the opinion of all these members was that in each case where additional hospital accommodation is required, such should be judged as an entity, taking into due consideration the following factors:—

- (1) The primary cost of construction.
- (2) The subsequent cost of operation.
- (3) The distance from the concentration of troops.
- (4) The speed of construction.
- (5) The type of cases the forces have to treat.

Reference consideration (3), it is obvious that considerable hospital accommodation had to be provided in proximity to the large camps.

Conferences have continually taken place with the representatives of the D.P. & N.H. and different medical services.

By Mr. Harris:

Q. What medical services?—A. Air, navy and army.

An arrangement was made with the Department of Pensions and National Health under which that department will accept for treatment any member of His Majesty's Canadian Forces considered by competent medical authority to be in need of treatment and not likely to again be fit to serve.

11. Hospital Building Costs

The following costs for standard hospitals of different bed capacity is based on actual figures of hospitals built. These figures may vary 5 to 10 per cent according to local conditions having to do with labour and material costs.

34 bed standard hospital.....	\$850 per bed
50 " " "	970 " "
75 " " "	817 " "
250 " " "	660 " "

These standard hospitals are of temporary construction. This department has erected, or is erecting, two permanent construction, fire-proof buildings, one 75 bed hospital at Borden Camp, and a more expensive stone construction hospital of 50 beds at Quebec City. At the latter hospital the architecture has to conform with surrounding buildings.

By Mr. Harris:

Q. Mr. Chairman, are the costs of these two institutions available?—A. They can be obtained, sir, I think, from the Engineering Department.

By Mr. Picard:

Q. Does the construction of these hospitals come under the Department of Munitions and Supply or directly under the Department of National Defence? —A. I think they are under National Defence; I could not say. That is under the Engineering Department, and I think the man in charge would be the only one who could tell you. He would also be the only man who would be able to tell you the cost.

Mr. HARRIS: Mr. Chairman, is it your intention that we should ask questions at this stage?

The CHAIRMAN: I thought we would complete the reading of this brief and then determine whether or not there are some points to be clarified and possibly to bring the questions until we have had an opportunity of studying the presentation and the appendices that have been submitted.

The WITNESS: A survey of available material in connection with the average cost of city hospitals, which must of course be of fire-proof construction and so forth, indicates that the average cost is between \$1,500 and \$2,000 per bed.

12. Hospital Diets

After receiving advice from the nutritional consultants, new hospital diets were introduced to the Canadian Military Hospitals and have proven an unqualified success.

(a) The diets offer a high caloric value and vitamin content.

(b) There are five diets; Liquid "A" approximately 1,000 calories; liquid "B", approximately 2,100 calories; Light diet approximately 2,700 calories; Chicken diet approximately 3,600 calories and ordinary diet approximately 3,724 calories.

Following the army practice all foods consumed in Canadian military hospitals are obtained from the Canadian Army Service Corps. The Director General of Medical Services has nothing to do with the purchasing of food.

A complete system of diet accounting is followed and through it, it is possible to account for every pound of food issued and consumed.

In United States, it is looked on as not out of the way if the hospital per capita food costs are within 50 per cent of the army ration.

It is gratifying to know that in Canada during the month of May, while the average cost of feeding the troops in Canada was 33·21 cents per diem, per capita food costs of the patients in the Canadian Hospitals was only 37·97 or 12·5 per cent more than the cost of feeding the troops generally. It is pointed out that the per diem food costs of Canadian Military Hospital patients include all special diets which must, of necessity, be used in the dietary treatment of the various types of patients which pass through our hospitals.

By Mr. Harris:

Q. That is ten per cent higher than the average Canadian hospital? That figure of 37 cents would be about ten per cent higher than the average Canadian hospital?—A. I should not think so, sir. You were not referring to the percentages I mentioned, were you?

Q. You mentioned 37 cents?—A. Oh, no; I said it was 12 per cent more than the cost of feeding the troops.

Q. And the figure you gave was 37 cents per diem?—A. The figure for the troops is 33·2 cents per day; the figure for the hospitals is 37·9 per day.

Q. The average figure for all Canadian general hospitals is about 31 or 32 cents.—A. I should not think it was that low, sir.

Mr. HARRIS: It depends on the location in Canada, I suppose.

By the Chairman:

Q. I wonder if it would be possible for the clerk to receive copies of this material by Friday so that we might have it in the hands of the members over the week-end?—A. Yes, sir.

The CHAIRMAN: Are there any questions that members desire to ask simply to clear up any points of doubt relative to what has been read?

Mr. SISSONS: There is some additional information which I should like to have, Mr. Chairman. When Colonel Davis appeared before the special committee on Pensions and the War Veterans' Allowance Act he submitted a table showing the "medical board's approved medically unfit (cat. 'E') from September 1, 1939, to March 31, 1941," for both overseas and Canadian cases. That table gives some very interesting material, and if we could have that brought up to date in the form of a statement for our records, I think it would be helpful. That table was filed on May 28.

The WITNESS: Here is a table up to the 31st of May, sir. I could not give it to you later than that, sir.

Mr. SISSONS: That seems quite all right.

By Mr. Picard:

Q. Could we have a memorandum of the precautions taken to make sure that no unfit person is admitted into the army. I am referring more particularly to procedure. First there is a board in the city where the man applies. Is that all included in that booklet?—A. Instructions for medical examiners are in the hands of every examining medical examiner, printed in French and English.

Q. What I would like to know is this. First, I suppose, the procedure followed, when a man enlists, is that he is examined by a local doctor. Then I suppose it is referred to a board, and I should like to know if the result of that comes up here in Ottawa for revision before the man is admitted. Somewhere in the country there is an idea which some people have expressed that the

medical boards were too strict. I do not think any board could be too strict, because it is better to reject a man than to allow a man to come in who is not exactly the type of man that is needed.

What I should like to have is a general idea of the procedure followed in making sure that the man is medically fit. I do not want the details of the examination, but the procedure. Is there first one examination and then a revision, and then is that revision sent to headquarters? What is the set-up?—A. A man applying for enlistment appears before a medical board of three doctors.

Q. Right at first?—A. Right at first. He is examined by three doctors and his medical documents are filled out. He is categorized according to the category these doctors find him in. An X-ray of the chest is taken and read and the result of that is taken into consideration in categorizing the man.

Q. Is there a revision of that by a higher board or is that final?—A. That is final, sir.

Q. When the man reports to camp is he subject to further examination or is that his final medical history as far as the force is concerned?—A. That is his final medical examination for entry into the forces.

Q. Further on are later examinations taken periodically?—A. As required. If a man is sick or there is any suspicion that he is not up to standard he is re-examined.

Q. What is the percentage of men admitted at first and later discharged when it has been discovered in camp or after a certain period that he was not the type needed medically? Is that percentage very high?—A. No, sir.

Q. Have you the figures?—A. No, sir; I cannot give you the exact percentage but it is not out of the way. Perhaps, sir, you are thinking of these men who were called up for 30 days.

Q. No, I am referring to the active service forces. This first medical story is gone into carefully by the first board before which the man appears?—A. Yes.

Q. And that is final?—A. Yes.

By Mr. Hansell:

Q. Is the examination the same in the case of those who are called up for 30-day training?—A. Yes, sir. Of course there is now no more 30 days' training.

Q. Suppose they are medically unfit, do they continue to train?—A. No, sir, they are returned home.

By Mr. Sissons:

Q. Is the category under the four months' training plan the same as the category for the active army?—A. Yes, sir, the same category.

Q. You do not take any men in for training in a lower category than you do for the active army?—A. No, sir.

By Mr. Hansell:

Q. Who cares for the medical services of forces from other countries such as Australia and New Zealand? Do they all come under the Canadian?—A. The only forces from Australia and New Zealand in this country are air force units. They are cared for by the air force medical services. There are troops in this country from Norway, Holland, Poland and Czechoslovakia. They are cared for by the army under certain circumstances. They have their own doctors in their camps. If a man requires hospital treatment he comes to our hospital. We supply them with medical drugs, dressings and equipment.

Q. Would you be familiar with the financial arrangement between ourselves and the respective governments?—A. No, sir.

Q. I think perhaps it would be good for us to know that, Mr. Chairman, some time. There must be some arrangement made financially.—A. We prepare vouchers for the things we issue to them and return them to the treasury board.

By Mr. Picard:

Q. Are the supplies and equipment for the field ambulances and casualty clearing stations that are overseas supplied from Canada? Are they sent from Canada or supplied from ordnance in Britain?—A. You are speaking purely of medical supplies, sir?

Q. Yes and no. I mean anything from waddings to ambulances. I am speaking of motor transport and so on for your field units abroad.—A. They are sent from Canada, sir, and issued to them over there.

Q. But they are Canadian goods sent for our Canadian troops over there?—A. Yes, sir. There are some medical supplies that we buy in England because it is impossible to procure them in Canada. For instance, narcotics are all bought through the London market. It would not be reasonable to buy narcotics and bring them to Canada and ship them back to England, therefore we buy them direct in England. There are certain other drugs and instruments that are manufactured in England; therefore we buy them there and they are delivered to our hospital.

Q. They are bought by Canada for Canadian troops?—A. Yes, sir.

Q. If my memory serves me right in the last war from a certain period on drugs and all of those supplies were supplied by the Imperial ordnance of Britain to Canadian troops. Is that true?—A. I really could not tell you, sir.

Q. During this war they are bought by the Canadian government over here or in England for the Canadian troops?—A. Yes, sir, medical supplies are.

By Mr. Hansell:

Q. May I ask you about another point you brought out with respect to being allowed \$50 a month in one case and \$500 a month in another for supplies?—A. We have across the country eleven military districts. Take as an example British Columbia which is military district No. 11. They have a district medical officer in charge of that and they have some 10,000 troops in the area. The usual procedure is for them to requisition on our central medical stores for supplies and we send them out to them. But sometimes the supplies run a little short before our shipment gets there. Also, in the case of vaccines which will not keep, such as antitoxin and goods of that kind which would not keep any length of time we do not like to stock them up as they may not use them, so this \$50 is given to the district to buy emergency things of that nature which either run out suddenly or they have not got enough, or it may be a case of antitetanus serum which it does not pay to keep in stock, or perhaps they want some special drug for a man who is seriously ill and they have not got in stock what they want. That applies to the district. The same thing occurs in Ottawa where we have a larger branch. There is sometimes difficulty in getting supplies for one reason or another and we suddenly run short and we have to get something in an emergency. We use that money for the purpose.

Q. I think, Mr. Chairman, it strikes me that \$50 a month is not very much. I am just wondering if you do not find that there is rather a financial restriction there. I think, Mr. Chairman, that while perhaps our particular terms of reference involve the recommendation of certain economies, at the same time I believe that we must take great care lest very essential services should be economized too much. There is the other side of the picture and I am wondering if when the brigadier says they were allowed so much a month, what would happen if they

needed more?—A. We have found, sir, that \$50 a month is ample in the vast majority of cases. If a district legitimately has to overexpend then all it has to do is tell us why and it will be covered from our own central fund.

Q. Then you are not really restricted?—A. No, sir. I think it is wise to keep them down to that because some people do run off the deep end at times and buy all sorts of things not necessarily required.

By Mr. Sissons:

Q. There were a considerable number of men sent back from overseas medically unfit?—A. Yes.

Q. I believe your department were trying to check that and improve the situation. Have you any idea as to whether the percentage coming back now is as large as at the beginning or has there been any improvement in that?—A. I do not think there is a very large number coming back from overseas medically unfit.

Q. The situation was improving?—A. That is very difficult to answer because they come back so irregularly. We have not had any back for a long time—for some months, but we may suddenly get a lot.

Q. Here is the point I mean. It may not be of any great value but it seems curious in the case of peptic ulcers. The number of cases rejected for that in Canada amounted to the percentage of 6·7. The overseas cases showed a percentage of 25. Is there any general explanation why there should be such a large number of cases of peptic ulcers in the overseas group?—A. That is a problem that is causing us a great deal of concern and we have not found the answer. There are a large number of cases being returned with peptic ulcers. There was a pretty large number of cases of peptic ulcers turned back from the British forces in France. Peptic ulcers have more cases turning up in England among the British army than we had ever thought of before. Why, we have not yet been able to really answer.

Q. The number rejected for tuberculosis is quite small, 1·1 of those overseas.

By Mr. Picard:

Q. That might be due to the good X-rays taken before going overseas. There is precaution taken to prevent their going abroad.—A. We have culled out 1·6 per cent for tuberculosis before they ever got overseas.

By Mr. Sissons:

Q. You culled out for peptic ulcers here in Canada, 6·7 per cent. It seems astonishing that that percentage should jump over there from 6·7 per cent to 25 per cent.—A. There are several explanations offered, one is that the food is different over there from what it is here both in quantity and in method of preparation. Another is that the strain under which the soldiers are living causes undiscovered stomach conditions to appear.

Q. In other words it is not a condition that you can guard against here?—A. No, sir.

Q. One-quarter of our men invalided home are coming back apparently through no fault of your medical services here but from conditions that arise after they got overseas?—A. In examining a man who has symptoms of gastric disturbances which may be peptic ulcer you are entirely at the mercy of the man. A man comes up and wants to join the army. You ask him if he ever had any stomach trouble and his answer is no. All you can ask him and all you can see and all the examination you can do will not discover this condition that might exist if the man is not honest with you.

Q. That is an answer to the situation. I want to clear up this condition which accounts for a large number of those coming back?—A. We have found out, sir, that of those people who come back from overseas with peptic ulcer a very large percentage of them had it before they went overseas, but they did not give us the information.

Q. If that could be overcome in any way then we would be saving a great deal for the Canadian people.

By Mr. Hansell:

Q. Would you say that the examination that is carried out for enlistment is as thorough or is more thorough than the examination which is given in the case of a man applying for insurance?—A. The two examinations are for different purposes. I would say it is just as thorough as an insurance examination considering the purposes for which we are examining the men.

Q. It seems to me from the picture you have given that it is a little more thorough because X-rays are taken, and yet the insurance companies are usually pretty thorough on their risks. I can see, of course, that the two examinations would have to be different.

Mr. HARRIS: They guess wrong sometimes too.

Mr. HANSELL: Yes, they guess wrong sometimes.

By Mr. O'Neill:

Q. Is it on the recommendation of the medical authority that a man who joins the army and we will say who develops pleurisy or pneumonia or something of that nature and by the time he recovers he is in such physical condition as to be unfit for further military service—is it on the recommendation of the military doctors that he is discharged from the army?—A. Yes, sir.

Q. Is he discharged from the army on the recommendation of the military doctors before he is ready to resume civilian life?—A. When a man is unfit for further service he is discharged from the army, and if he is unfit to go to his home he is handed over to the Department of Pensions and National Health.

Q. In the event that he is in fit condition to return to his home but he is still in a convalescent stage and requires some attention by a doctor and so on, how is that taken care of?—A. By the Department of Pensions and National Health.

Q. Is he still under pay from the military authorities until he get as well as he is ever going to get?—A. I believe he is under pay for a month but I could not say because the minute a man is discharged the Department of Pensions and National Health look after him. I just do not know what the arrangements about the pay are.

Q. I was trying to establish a comparison between the treatment afforded to a man who joins the active service, and a man, for instance, who is injured in industry. Now, according to the compensation laws, generally speaking if a man is injured in industry industry pays that compensation to him until he is fit to resume his duties or until he is as well as he ever can be expected to get, after which he is cut off from compensation. I was wondering if the army has something similar to that?—A. There is an arrangement, but I am not familiar with it.

By Mr. Harris:

Q. Mr. Chairman, I presume that the Brigadier has a pretty good idea of the reference under which we are trying to work; that is to say we have specific instructions from parliament to examine into these matters to see if we can devise some economy. Now, in that regard if we are going to accomplish anything, the first observation I would like to make, Mr. Chairman, is

that we must have the full co-operation of those with whom we come in contact, and I am satisfied that we are going to get that co-operation. So far I have observed only one witness who indicated to us that he did not know of anything whatsoever in his department which could be improved upon. While we are not a fishing expedition to find out steps that can be improved upon, still we are definitely charged with the responsibility of taking a broad view of the whole situation in Canada and trying to define or to lay down a policy or to advise the government to lay down a policy which in the end will make for the most efficient and most economical conduct of this task which the Brigadier is one of those charged with the responsibility of operating. With that basis, I should like to put on the record a few questions. I understand, Mr. Chairman, that the Brigadier is coming back to us again on another day.

The CHAIRMAN: Yes.

Mr. HARRIS: Perhaps, in the interim he can look over the record and probably get the answers which I desire. The questions I have in mind, Mr. Chairman, have regard to no particular case but have regard to the whole Canadian set-up. The first point I wish to get clear on is this: it seems from the depositions made to-day that the R.C.A.F. have for some reason or other separated those that were serving in the ranks looking after this part of the work from the army and the naval section; I should like to have that elaborated upon not only as to why there was that separation but also as to what sort of an organization they have set up, what physical equipment they have in the different districts in Canada, and whether their personnel is a duplication of the personnel charged with the responsibility of looking after those who are in the army and in the navy. What applies with regard to personnel as far as the medical profession is concerned I would like also to have applied to the nursing sisters.

The next point I should like a little more information upon is the cost per bed. From the remarks I listened to a moment ago, it appears that the temporary hospital accommodation cost is very small, probably a lesser cost per bed than in any other institution, civil or otherwise, in Canada. In a like manner the permanent hospitals, one of which is in Quebec city with architectural surroundings which I can understand, and the other is in Camp Borden—even that cost per bed struck me as being rather low, and no doubt the Brigadier will have at his hand the average cost per bed to construction of hospital, general hospitals in all districts in North America. He can get that very readily from the American College of Surgeons. They grade hospitals over there. You know what I mean?

The WITNESS: I know what you mean.

Mr. HARRIS: They give you free service right across Canada as to costs, up-to-date costs of construction of class A, class B, class C—don't they grade them that way?

The WITNESS: Yes.

Mr. HARRIS: They come over here whenever they are called upon and grade the hospitals and give them an A standing or a B standing or whatever they happen to be. Now, I would like to know how this organization—how the hospitals we are constructing classify with regard to being class A or class C. That has reference, Mr. Chairman, to the equipment which the authority—perhaps I might even say the medical fraternity of the North American continent feel is necessary in order that a hospital is adequately equipped to take care of those they are serving. I should like to know the policy with regard to the number of beds in a ward in a hospital, the economic unit particularly in the larger centres. Mr. Chairman, I ask this question: is it economical? For instance, I heard of a 34-bed hospital and a 50-bed hospital and so forth;

therefore I ask is it an economical unit? What is an economical unit? Is it not rather about 250 beds or perhaps 300 beds rather than the smaller number in figuring the costs per bed that have to do with construction?

Now, I come to the next point, the cost per patient per day. I think the Brigadier mentioned 75,000 patients with an average day of 11 decimal something, which means there would be about 850,000 patient days per year. The cost per patient day—and in the break-down of the cost per patient day I should like to know if they used the same standard formula as is used, we will say, by the authorities of the different provinces. The province of Quebec has a set of costs which obtain in figuring the cost per patient per day, and the province of Ontario figures in a like manner. The Department of Health has the same sort of set-up. All the provinces I know try to use the same basic figures in figuring the costs per day, and I would like to know definitely when the army figure their cost per patient per day whether they use the same units of cost so that we in studying the economic situation will be able at least to gather some comparative idea of how things are being done. What I have in mind is this: the ordinary general hospital must pay for a pathologist, a therapist, a pharmacist, a dietician or several dieticians, for engineers and all the personnel around a hospital. They are all on the payroll and they average in a 200-bed hospital to about 100 of a personnel on the payroll. The ratio is about two to one. I am speaking of the operation of the hospital itself and I want to know whether in figuring your costs per day you have costs of a like nature as would obtain to a general hospital; otherwise, we are unable to make any comparison or to arrive at any comparative figures, and we would be unable in the absence of an analysis to make any constructive suggestion in regard to co-relating the activities of general hospitals and hospitals conducted by the army or conducted by the air force.

Now, what obtains in that regard also obtains in regard to the nursing profession. In the nursing profession the cost of nursing is quite a large item when you are laying out the budget for a hospital. Some institutions try to operate with all graduate nurses, which means that those nurses have to be paid their \$70 per month and receive their meals and lodgings and their uniforms and what not. We will say that others would, perhaps, have a nursing school and after the girls have got through the probationary period they would do the actual work in the hospital which cuts down very considerably the cost per patient day in the operation of that institution. I should like to get the relative figure with regard to that portion of the cost in the conduct of the military hospitals as compared with the general hospitals.

Then our friends largely in the province of Quebec are blessed by having nursing sisters who do not accept pay, and their cost of operating a hospital is very much lower than the cost of operating hospitals in other parts of Canada where the hospitals are not similarly served.

What applies with regard to that again applies in the matter of food costs. I would like to know, Mr. Chairman, whether the personnel conducting the hospitals—and I refer now to the R.C.A.F.—whether they are getting meals in the hospitals or whether they are provided with board and lodging outside. Then, there is the matter of the equipment for the internes; I would like to know whether or not that is provided for, and if the cost of his living also comes out of the hospital budget. I want to know whether those items are included in the costs, and whether that has any relation to the 37 cents per day which was given to us here as being the cost of maintaining a soldier under the schedule that obtains across Canada in other hospitals.

My next point: I would like to get some further enlightenment as to the length of stay of individuals who find it necessary to go into hospitals; what control the officer in charge has over his staying in the institution. That question was prompted from my observation of the tendency of some patients who

seem rather to enjoy a holiday and the relaxation afforded by being in hospital with the result that some are not very anxious to get out of hospital. For the information of you, Mr. Chairman, and members of the committee, I would say that we have had some experience of that in the province of Ontario where an officer was appointed whose business it was to make a survey of the general hospitals throughout the province. The result of that move was that the average length of stay as patients was cut down very substantially during the last two years resulting in a saving of over a million dollars a year on that account alone. As we all know, there are patients who come in and hang on, and hang on, and hang on; and they have this officer checking and double-checking so that the hanger-on was got out and another patient could then be put in his place.

Another point is the expense of hospital bed space. I think the Brigadier will agree that it is not available sometimes where it should be. You find patients occupying places after operations, perhaps an appendectomy which is not clearing up very rapidly and the patient has probably been in for a matter of ten days and is convalescing slowly; he does not need to stay in an expensive bed in the ward in the hospital because he is in the convalescent stage; and there is an opportunity for an economy ranging from 10 to 30 per cent in arranging to have that convalescent period pass outside the main "factory"—that is how they refer to the place where the operations are carried out—and placed in a convalescent home, perhaps; and the result would be that this space would be available for some other patient for whom it might be more urgently required.

Mention was made of the different varieties of hospital services that were used, and I just heard the words "contracts with civilian hospitals"; I would like to have put on the record the contracts, Mr. Chairman, by military districts, if that is possible.

The WITNESS: We have no contracts with civilian hospitals at all.

Mr. HARRIS: I think that is a matter that should be dealt with now. I was going to ask the witness, Mr. Chairman, if he would be good enough to help us a little bit. This is not our line of business and we perhaps are not as well versed in the matter as we ought to be; and I make that observation with respect to civilian hospitals, that there are contracts in existence to-day with civilian hospitals who are taking care of military men. Perhaps you have not, but the Department of Pensions and National Health may have.

The WITNESS: Yes, sir, they have.

Mr. HARRIS: Now, I would like the witness to help this committee; do not assume that as members of this committee we should know that the Department of Pensions and National Health are going such and so, and that the army are doing such and so. You see my point, Mr. Chairman, we want their assistance. A better answer to my question, if I may suggest it, would be for the witness to say that the Department of Pensions and National Health have such arrangements.

Then, Mr. Chairman, I would ask you to secure for this committee a memorandum of the contracts existing between the Department of National Health and the civilian institutions. I think at the same time I will ask the chairman to arrange to bring before this committee the officer of the Department of Pensions and National Health especially charged with the conduct of what I call military hospitals; for instance, would you call the Westminster hospital at Christie street that?

The WITNESS: We don't call them military hospitals.

Mr. HARRIS: I want to get the proper terminology.

The WITNESS: We would call them Department of Pensions and National Health hospitals.

By Mr. Harris:

Q. Your patients would not go there?—A. Yes, sir, some of them go there.

Q. I am anxious to get the thing clear; if the men in the armed forces were to go there they would have to go through your organization first then through the Department of Pensions and National Health and then be admitted to Christie street?—A. No, sir.

Mr. HARRIS: Now, I will conclude my statement, and perhaps the Brigadier will bear with me—I am trying to put this material on the record and from that he will probably be in a position to secure the material with which to supply answers to my inquiries. Then, I would like to know, Mr. Chairman, what is the—I do not want to know the strength of the different military districts if that is going to be of any comfort to the enemy or to give them any information—if the Brigadier would give us his department strength in the different military districts, and then give us also the bed space available in the different military districts, and relate the one to the other so that we might get a better idea of the amount of space available in a chain across Canada. It is not necessary that we should know the number of troops in training, but if you could give a relative picture we would know.

Now, the matter of occupational therapy, and the matter of services—which I think the Brigadier will understand if I call them more or less frills to the conduct of hospitals—I would like some statement on these other functions which the hospitals have been performing which doubtless have value and also have costs. I am thinking, Mr. Chairman, of occupational therapy, of the library facilities, the recreational facilities—even down to swimming pools obtaining here and there in spots across Canada—these are what you might call, they are not absolutely essential yet, well, you might call them non-essential. I want to know who is paying the cost of such services; whether that is coming out of government moneys or whether it is coming out of such associations as the Occupational Therapy Association or the library boards of the different municipalities, or from the patriotic organizations and service clubs in the different communities; or whether in the case of the army the Department of Pensions and National Health who get money advanced from the Treasury Board whenever it runs dry—whether any of these services are being paid for by the government.

Now, while I have the floor, there is another question I would like to put on the record when they are figuring the costs of hospitals; I would like to know if the cost of the land on which the hospitals are located is included in the cost, or whether that is perhaps under the Department of Public Works; or, the ownership of the building itself may be vested in the Department of Munitions and Supply or some other department who have put up money, and perhaps that does not figure in the cost of the unit. You understand what I mean, Mr. Chairman. I know that that does obtain in some of the Pensions and National Health organizations; that cost does not go into their cost figures; and I would like if possible to secure some information on that point; that is, if the department feel disposed to enunciate a definite policy with regard to the question I have raised on a previous occasion. It is on the record, you will recall, about getting every possible cooperation from the general hospital organization throughout Canada. I mean, in the smaller centres—it is based on this viewpoint, that in the small centre the personnel— Perhaps you know, Brigadier, it is difficult sometimes to get specialists or high-class personnel in certain parts of Canada. This is just the basis of the idea—that personnel may be available sufficient to man a general hospital in a small community, but to have that personnel duplicated in uniform to look after the military work in that same centre—it might not be a very large centre—is adding extra costs: the basis of these remarks being that I am anxious to see the utmost coopera-

tion between the civilian organizations and the military organizations with a view to economy—first, with a view to efficiency in the service; and then, the utmost economy in that service.

The ACTING CHAIRMAN: Brigadier Grossline, I may say that you will receive a typewritten copy of the record of the proceedings of to-day that will give you an opportunity of going through it and making preparation to cover, as you can, the various points that have been brought up by Mr. Harris, perhaps on the next occasion you appear before the committee. The clerk will see that you receive your copy.

Mr. PICARD: Before the committee adjourns, Mr. Chairman, there is one point I would like to clear up.

The ACTING CHAIRMAN: Very well.

By Mr. Picard:

Q. We have had up to date quite a number of medical units proceeding overseas. If I understand the matter correctly—I would just like to clear up a point which is in my mind—this equipment was all purchased by the Canadian government; that is what you said, wasn't it?—A. Yes.

Q. And most of it from Canada wherever possible?—A. Yes, sir.

Q. Now, for the purpose of my question let us divide this equipment into two categories; technical and auxiliary—that may be an arbitrary division but perhaps it will suit my purpose—my question is as to the medical apparatus supplied to medical units, is it all standard equipment, would the same equipment be for all field ambulances; are they all provided with the same type of equipment?—A. Yes, it is standard equipment for field ambulance.

Q. For all of them?—A. For all of them.

Q. Does that include specialties such as X-rays and so on?—A. Yes, sir.

Q. And it is all standard?—A. It is standard equipment for a field ambulance, for all field ambulances; they are equipped according to the standard. There is a standard equipment for a 600-bed hospital; they are all equipped in accordance with the standard. There is standard equipment for a 600-bed hospital, and 600-bed hospitals are equipped to the standard.

Q. Then coming to the equipment which I call operating motors, transports, and so on, ambulances and the other motor cars to move the hospital from one place to another—I am not very familiar with that—I understand that the essential point would be to have mobility. The mobility of a field ambulance would be most important. Would most of these motor cars and equipment come from Canada?—A. I believe they do, sir.

Q. I do not know that this is a proper question, but is it in your knowledge that what we have sent over there up until now has given good results and has proven satisfactory, or is there any improvement or anything you want to suggest?—A. I heard nothing to the effect that the ambulances were not satisfactory.

Q. I do not mean ambulances only, but the general working of a field unit which has to pack up quickly to move from one place to another and then re-assemble quickly so as to be able to operate in the shortest period of time and so on. All of the equipment which has been sent from here has proven, according to your knowledge, satisfactory?—A. It has, sir. But you must remember that these field ambulances have never been in active operation.

Q. No. Of course not. A. They have not really tried them out.

Q. Their mobility must have been checked?—A. Oh, yes.

Q. Because I had a letter from a friend of mine in England who said that our army was seen everywhere, they were moving from one point to another; and I imagine that ambulances would follow?—A. Yes.

Q. Of course not under war conditions?—A. Yes, sir. They do.

Q. Up till now, as far as we know, it has been satisfactory?—A. Up to now our equipment has apparently been satisfactory.

By Mr. O'Neill:

Q. There is a question that I should like to ask just here in connection with your brief there. I understand that there are to be two permanent hospitals built, one at Camp Borden and one at Quebec?—A. Yes. Perhaps you would like me to tell you why. In Quebec city there was a permanent hospital before the war to look after the permanent troops stationed there. An earthquake destroyed it and it is being replaced. In Camp Borden, ever since the last Great War, troops have been concentrated in Camp Borden to the number of 3,000 or 4,000, and in the summer time three or four times that; and there has never been any hospital there that was worthy of the name. There were two or three old shacks. This one which is being put up there is a 75-bed one, and is a permanent building to take the place of those old shacks that we were getting along with before the war. Camp Borden will undoubtedly continue as a camp for many years to come and there are no civil hospitals within a reasonable distance. Barrie is the nearest town. They have a very small hospital which cannot accommodate nearly the number of patients that we would have.

Q. That fairly well covers the point I had in mind. The point I had in mind is with regard to the post-war period, whether it would be found that you had spent a good many thousand dollars to put up a permanent building now when possibly a temporary building would serve the purpose, and then in the post-war period find that permanent building in a position where it would not be advantageous?—A. That was all considered, and I think the permanent buildings in Quebec city and in Camp Borden are well warranted, unless there is an entire change in the whole thing and they throw Camp Borden away and do not have any more troops in Quebec.

By Mr. Harris:

Q. I understand that the navy hospitals were included in the deposition to-day?—A. The navy have only one hospital.

Q. That is not on the record. That is Halifax, is it not?—A. Yes, it is on the record. There is one on the west coast. They have none in Halifax.

Q. They have two?—A. I beg your pardon.

Q. We are considering the whole picture right from Halifax to Vancouver. There are two navy hospitals, are there?—A. No, sir. There is one on the west coast, at Esquimalt. There is none in Halifax.

Q. There is none in Halifax?—A. No. There was a small one there at the outbreak of the war, in a small building which has been taken over for other purposes. They now treat their patients in the army or D. P. & N. H. hospitals.

By the Chairman:

Q. When the committee comes to consider costs such as for nurses, for doctors, for hospital supplies and so on, who will provide that information to us? Will it be yourself or someone else?—A. Well, I can tell you the cost of the medical supplies in the hospitals. I can tell you the pay the doctors get or the nurses get, and it is a matter of taking a typical 100-bed hospital. I can tell you what the staff will cost anytime. I can give you that now. I know what the staff of a 100- or 200-bed hospital costs. I know what the original equipment costs.

MR. PICARD: It might be good to have that on the record for the purposes of our work.

The ACTING CHAIRMAN: Yes.

Mr. HARRIS: Perhaps the Brigadier would like to put it on in an orderly way rather than just by questionnaire, Mr. Chairman?

The ACTING CHAIRMAN: Yes. This document, which will be an exhibit, is headed "Cost of Equipment, Medical Units, Initial Costs." There are headings of costs as follows:—

First, Medical Equipment not including drugs, dressings, etc.

Second, Ordnance Equipment.

Third, Total.

For those headings the costs are given for a 5-bed hospital, a 15-bed hospital, 25-bed, 50-bed, 100-bed, 250-bed and 500-bed. There is a footnote, "The above does not include cost of alteration of buildings or engineers' supplies." Since you have not this in your hands, I might say, for instance, that for a 100-bed hospital the medical equipment, not including drugs and dressings, is set down at \$14,073.74; and the ordnance equipment, \$16,063, a total of \$30,136.74.

By the Acting Chairman:

Q. What is covered by ordnance equipment?—A. That is beds, blankets, tables, kitchenware, window-blinds, linoleum on the floors, chairs. That does not include the drugs and dressings because that is a variable quantity. We set up a hospital of 100 beds, and that is the cost to open the hospital. If you never have a patient in it, it will not cost you anything for drugs and dressings. If it is full up the next day, you immediately start to use up what we call expendable supplies. These are non-expendable articles such as instruments, sterilizers.

Q. Operating room?—A. Operating room outfit, bed-pads, thermometers, all sorts of things like that which are non-expendable. As for the expendable things, that entirely depends on how many patients you treat in the hospital.

By Mr. O'Neill:

Q. You have to have these things whether you have patients or not?—A. Yes, quite so. You have to have those before you can take in a patient at all. After that, it entirely depends on how many patients you treat.

By Mr. Picard:

Q. Referring to personnel, you have the figures of the whole personnel of the Army Medical Corps at the moment. I mean, we got the figures a moment ago of the medical officers, nurses and so on. There might be other ranks. There must be quite a number.—A. All I have given you in this memorandum are the officers, nursing sisters, quartermasters and dispensers. There are some three thousand or more other ranks in Canada.

Q. Of other ranks?—A. Yes, in Canada.

Q. And probably the same number or nearly so abroad?—A. Approximately.

By the Acting Chairman:

Q. We have 11 military districts in Canada. I wonder if it would be possible to take one military district as a type, and to have a rather complete breakdown of all expenditures in a period pertaining to your department. Take, for instance, military district No. 1. I think that is fairly typical. There we have both army and navy force at various centres. We have Westminster Military Hospital. We have the complete headquarters staff, many training centres, and I think if we had a picture of the cost of that one district, a study of that might assist us later, and possibly a study of other military districts—maybe all or maybe only certain ones?—A. That could be obtained, sir.

Q. That would give us an idea of the extent of the medical services covering the air force, covering the army for enlistment for the active service, for the non-permanent, for the C.O.C.T. and all branches, the number of doctors at each centre and the remuneration. I believe it would be well to have a rather comprehensive picture of one district, so that we would have a complete understanding of how your department operates?—A. Would you like military district No. 1, sir?

Q. I think that would be quite typical.—A. We have in that district a 100-bed hospital in London, Ontario; we have a 35-bed venereal hospital in London. We have three or four training centre hospitals around the area. I could give information regarding those.

Q. You have the Air Training at St. Thomas?—A. I am afraid you would have to ask the Director of Medical Services of the Air Force for that. He could get that for you.

Q. I understand.—A. You perhaps realize that the air force districts do not correspond to the military districts.

Q. Yes, I understand that.—A. An Air Force Training command, No. 1, covers military districts 1, 2 and most of 3.

By Mr. Picard:

Q. With further reference to personnel, do you have training schools or centres for the personnel of the Medical Corps, outside, of course, of medical officers and nurses who have to know their job before they get in? I mean the other types of men?—A. Yes, sir; it is situated in Ottawa at Lansdowne Park. There are about four hundred other ranks there. It is a very high type of school, and I think it would be interesting for you to see it.

Q. We went to Lansdowne Park for another purpose, but it might be interesting to visit a place like that?—A. It would interest you to know that shortly, within, I think, the 12th of this month, we will have about seventy-five young doctors who have just graduated and left internship in hospitals, taking a five weeks' course to qualify them for the work, and of those seventy-five some will probably be proceeding to the British service.

Q. Even the doctors are given special courses?—A. Yes, sir, five weeks; that is, those who are just joining, the young ones; the older ones who have been in the army before are not obliged to take this course.

By the Chairman:

Q. Is there any time that would suit you better for the committee to visit the hospital?—A. No, sir; if you suggest the time, I will make the arrangement.

The CHAIRMAN: I wonder if we might go Friday morning? Would that be convenient for the committee?

Mr. PICARD: Friday morning, yes.

The CHAIRMAN: To-morrow I think we are to hear a representative of the Dental organization.

By Mr. Picard:

Q. How long do you think it would take us to get a complete picture?—A. You would need to spend an hour and a half or two hours.

Q. Would it be better for us to do that at the same time we visited some of the hospitals? You have hospitals located in Ottawa, have you not?—A. Yes, sir. There is a hospital across the river.

Q. This is just a suggestion, but would it not be better to wait until we have further occasion to speak with the Brigadier before we visit the hospital? Is there one located at Lansdowne Park?—A. No, sir.

Mr. PICARD: Then the two could be done separately, because I thought in a short morning we might not have time to cover the hospital and the training centre, and so on, if they are not in the same location.

The CHAIRMAN: We might go on Friday morning at ten o'clock.

By Mr. Picard:

Q. Would that suit you, Brigadier?—A. Yes, sir. How many would be going, sir?

Mr. HANSELL: There are seven on the committee.

The WITNESS: What arrangements would you like to make about getting up there; may I meet you there at a stated hour?

Mr. HARRIS: I can take five in my car, Mr. Chairman.

By the Acting Chairman:

Q. You would be driving out from here, I suppose?—A. Yes.

Q. Perhaps if Mr. Harris took his car and you would care to drive up we could go out in the two cars?—A. Very good, sir.

The ACTING CHAIRMAN: I would suggest meeting at ten o'clock at the Peace Tower.

Mr. HARRIS: Yes, if the secretary will send us a notice, and whether there are any other appointments.

The ACTING CHAIRMAN: I think that perhaps covers all we have in mind to-day.

The WITNESS: Would you like to see Rideau Hospital at the same time? It is across Hurdman's bridge. I think we could do the two in the forenoon, if you wish to spend that much time.

The ACTING CHAIRMAN: Yes.

By Mr. Harris:

Q. Is that a convalescent hospital?—A. Part convalescent and part active treatment.

Mr. HARRIS: Yes, I think that would be very interesting.

Mr. PICARD: The only thing is that I have an engagement at 12.30. Do you think we could be back by that time?

The ACTING CHAIRMAN: We shall arrange that for you.

Thank you very much, Brigadier, for the help you have given us. I am sure we have given you a rather big order in asking you to prepare so much data.

A motion is in order to adjourn until to-morrow at three o'clock.

Mr. SISSONS: I move that we adjourn until that hour.

The committee adjourned until three o'clock p.m. Thursday, July 10, 1941.

July 10, 1941.

The Sub-Committee met at 4'clock. The Acting Chairman, Mr. R. W. Gladstone, presided.

The ACTING CHAIRMAN: Gentlemen, we have with us to-day Colonel Lott, head of the dental services, to tell us of the operation of that department.

Col. F. M. LOTT, Director of Dental Services, Called:

By the Chairman:

Q. Perhaps, Col. Lott, you will tell us of your civil life standing, as it were, by way of introduction?—A. Mr. Chairman and gentlemen, I feel that all you wish will be just the headlines, so to speak, of the story of the Dental Corps. First of all, I have been asked to tell what I was in civil life. I graduated in dentistry in Toronto but I have not practised in Canada a great deal. I went over to the United States to specialize after graduation. Then I came back and took over a department in the University of Toronto. There I was plate-work professor when the war broke out. I should like to tell you more of that later in connection with the origin of the dental corps. I did not prepare any complete paper that I could have had mimeographed and sent around to each of you but I have some notes here in the nature of headlines to which to confine my conversation. The first one here is the necessity of the corps.

By Mr. Harris:

Q. Before you go into that there is something I should like to ask in connection with the College of Dental Surgeons. You have an organization as such, have you not?—A. In Toronto?

Q. Yes.—A. The Royal College of Dental Surgeons is only a licensing body.

Q. Yes, They have an organization, have they not? Perhaps I could refresh your memory if I mentioned one of the past presidents, Dr. E. C. Veitch. Do you recall Dr. Veitch?—A. Yes, very well.

Q. Are you connected in any way with that? Are they right across Canada or just in Ontario?—A. No; it is in Ontario only.

Q. You know of the organization?—A. Yes. We must be members of it if we are licensed in Ontario.

Q. You must be members of that organization?—A. Yes.

Q. That is the point I wanted to raise. I did not know the name of the organization. You are a member of that organization?—A. Yes.

Q. Quite so. Mr. Chairman, I also want to ask this question, if I may.

The ACTING CHAIRMAN: Very well.

By Mr. Harris:

Q. They also function over and above their legal rights, like the Bar Association? They also take an interest in the development of the science?—A. Oh, yes. They actually set the graduation requirements of the students.

Q. The technique and so in operating your department would perhaps carry along with you all the time as it is developed and enunciated by this other group? They would be the recognized body—a recognized body?—A. Yes, a recognized body. Here is how they would function regarding training in plate work. They stipulate that a boy, to practise, must have a certain knowledge of denture work; and it is up to my department to produce a boy ready for their examination.

Q. Quite so. What I am getting at—if I may interrupt in the proceedings at this time it may facilitate the matter later on—is this. In the army services there is a large personnel attached to this division of the service. What I am trying to do is to check as to the qualifications of this personnel that are attached to this service, Mr. Chairman. It is common knowledge that a large number that are attached to the service are not what Col. Lott or any other practitioner would probably consider as professionally able to carry on. Nevertheless, they are attached to the services very much like an apprentice is attached to a trade. I wanted to follow that through in this discussion and try to get a break-down of how much of that what I might

call "non-professional personnel" are attached to the general services, if you understand what I mean, as we go along?—A. I will give you these points.

Q. Yes. You will develop that?—A. Yes. In connection with this, do you wish to know our qualifications, any degrees we have or anything of that sort?

By the Acting Chairman:

Q. It would be well to state those, I think, if you will.—A. Well, we take a D.D.S. degree; that is Doctor of Dental Surgery. Then I have a B.Sc. Dent, which is Bachelor of Science in Dentistry; and I have an M.Sc. Dent., which is a Master and I have a Ph.D.

By Mr. Hansell:

Q. How long have you been connected with the army, Colonel?—A. You mean in war time?

Q. No. Altogether?—A. I got out at the end of the last war and went to work in civil life.

Q. Oh, yes.—A. But I came in again in 1937, as I will explain later, because I then began to write the story of the Dental Corps; and I have been in Ottawa now since about a week before war was declared.

By the Acting Chairman:

Q. Are those degrees from Toronto University?—A. Yes, every one of them. I did not take any over in the States at all.

Q. Then you may proceed.—A. I thought you would like to know some points about what we regard as the necessity for a dental corps. In the last war the old C.A.D.C., the Canadian Army Dental Corps, as it was called in those days, was said to have been instrumental in a ten per cent increase in enlistment. I think it is understood that if you take a dental standard away from our population, not a man with dental condition below a certain standard could get into the army because he could not masticate the food. The Minister of Militia in those days made the statement—I think it was General Newburn—that he was proud of the C.A.D.C. because it had increased the fighting forces ten per cent. It seems ridiculous, does it not? On the other hand, if a man is enlisted who is dentally unfit and he is not treated; there would be a correspondingly large number of discharges. The most significant figure we got of the past was the fact that in the South African war 1.2 per cent of the total personnel had to be sent home for dental reasons only fully pensionable. The ills would run through the list of rheumatic and other troubles directly traceable to dental foci. In the Great War the percentage was a little bit less—about 1 per cent. Now you have the picture that if the dental corps is less than 1 per cent of the total personnel of the forces, apparently it is doing a job. By that I mean that if our presence in the army, with less than 1 per cent of the total personnel, is going to prevent a loss of 1.2 per cent; our existence is justified.

Now during the period that a man is soldiering, we found another point arising. The United States Army went through a period when it had no dental corps; it went through another period right afterward when it had a dental corps. The first bit of statistics we got was to the effect that it saved 60,000 hospital days a year for an army of 100,000 men. In other words, the presence of a dental corps saved two-thirds of all personnel a day a year in hospital.

There is another feature about that: It is not only the fact that it costs the medical service something to hospitalize a patient for a day, it is the fact that the man is not on duty. In France during the last war, according to the

best analysis we could make, there were between 2,000 and 5,000 men per day off duty looking for dental officers. That meant the better part of a whole brigade out of the line every day.

I could tell you an amusing story about this that a friend of mind related to me. He said, "You know, I went down the line every day for almost a month looking for a dental officer." He said, "Of course, we could find him all right: the clinic was down in a hollow, there was a nice slope there, and," he said, "dozens of us lay all over this slope rolling the bones and telling stories." Then he said "I got careless near the end of the month and my name was called one day. If it had not been for that I would have been going down there yet."

The next point is, how is such a condition to be interpreted to-day. Before the war the best analysis they could make in England pointed to the fact that there were eleven operations to do per man coming into the forces. I should tell you that the British dental standard went off before war was declared because the situation was so serious. Since war has been declared, for the first 50,000 recruits we have examined in Canada, we found that we had seven operations per man to do. I should tell you what an operation is. It may be a dressing that we put in a tooth to stop pain, or it may be a denture that will necessitate bringing the man back four or five times. We do not say that a denture is worth twenty fillings, or anything of that sort; it is just one operation when completed for a man.

I think, then, it is obvious that we have to do something for these boys. Everybody in Canada will recognize the need for dental treatment. We have been brought up to do that, and there would be a hullabaloo in connection with medical sick parades if we did not give it. There were different ideas as to how this should be done. For instance it was suggested that civilian groups should do the work. As an example, the Department of Pensions and National Health at the beginning of the war said, "Make any use you wish of our clinics." That could not be done to any extent for several reasons. For instance, in many cases the dental office would not be where the troops would be located.

I can remember over at Niagara-on-the-Lake one particular case. I think that at Niagara-on-the-Lake there were two civilian dentists, although there might have been a few more. Here was a camp suddenly opened with a few thousand men there; how in the world could those two civilian dentists do the work and fit those boys for overseas? The same people who suggested that arrangement also believed that once a man is completely treated he is fixed up permanently but he is not. Dentistry is like a pair of shoes; it is new today but it is old to-morrow. If you complete one hundred men to-day, within a year you are going to treat fifty of them all over again. I should not say "all over again" in the sense of completely fixing them up again, but there will be some dental trouble in each mouth before a year.

Outside of the location of the dental offices being all wrong, we could not have controlled the standard of the work done, nor could we have controlled the amount. In some cases, for instance, commanding officers misunderstood or ignored the instructions, and as soon as they began to recruit a battalion they would say, "Go down to Doctor So-and-so and get your teeth fixed." Well, Doctor So-and-so would have an account in for several hundred dollars, if you did not stop him. One point will illustrate the situation. The authorized schedule of fees shows that a dentist shall get \$2 for an examination. Well, any practitioner would like to take all the money per day he could make on examinations.

Outside of that we could not control these people in connection with documentation. We carefully document every man as I shall show you because that may save the country paying a pension at some future time. The soldier who protests later on in the war or after the war that "my teeth were in fine shape when I came in; look at them now." We keep a record of the condition of his

teeth when he comes in and we have the record as he goes on so his case can be easily checked. But if a civilian tried to do the documentation etc. it would take so much organization to have him do it carefully that it was felt to be easier, cheaper and so on, to have a dental corps.

By the Acting Chairman:

Q. Is that an army schedule of fees?—A. Yes; it is set down by army, navy and air force.

Q. Could you file a copy and send to our clerk eight copies?—A. Eight copies?

Q. Yes, to Room 432, House of Commons.—A. Yes. There was another feature: Any civilian organization looking after dental treatment could not look after the boys when they went overseas, so we had to have a dental corps in any case.

I think it has justified itself. The corps is doing the work, and I should like to make this statement, that the economy of the corps is perfectly apparent on the work done to date estimated on the scale of fees. In other words, the amount the Department would have had to pay out to civilian dentists at the end of the fiscal year would have been, perhaps, \$200,000 more than the cost of the corps to date. That is estimated through consideration of pay and allowances, equipment, premises constructed and altered, transportation and all the army accounts. It would have cost about \$200,000 more to have had civilians do the work and we would have had no corps at the end of the time.

The origin of the corps is rather wrapped up in the story of my own pre-war activities. I offered, as a committee of one to write a story of the dental corps for the Canadian Dental Association; in other words the C.D.A. sponsored the activity. In the last war by the way, I was a Lieutenant in the Divisional Signals but I got right away from service during peace-time and never went back until 1937. I then took a commission as a lieutenant in the C.A.D.C. and completed four reports. I have brought them along and will circulate them among you. These are the four reports:—

Dentistry for the Militia, Peace-time,
Dentistry for the Permanent Forces in Peace-time,
Dentistry for Active Warfare.

During the composition of these I found myself in difficulty because I had to stop and talk about, equipment, transportation, and so on. I finally separated these items and formed them into a fourth report on:—

Stores, Kits, Accommodation and Transport for Peace or War.

These four reports deal with army, navy and air force, and they are the basis of the present-day dental corps. It took two years of my spare time. I took the forces of every nation on which I could get information. I took particularly the United States, and I also took England, Canada, New Zealand, Australia, a little bit on France, very little on Germany, practically nothing on Japan, but the story is here on everything that has been done in dentistry as applied to large groups under compulsory conditions. General Matthews was A.G. at the time. He put a committee on this report and I should say they must have gone through it with a fine-tooth comb. When we interviewed that committee later there was not a thing they did not know about it. So the dental corps was set up and it is practically functioning and running to-day right along the lines laid down here. I think we have the most modern dental corps in existence. Now as to the development of the corps. The basis of the whole thing is the fact that one officer can look after 500 men per annum. That is the best percentage we could get. The A.G. would not give us any more. One officer can look after 500 men provided they come to him physically fit. In other words in a peace-time army a man is not enlisted unless he is up to a certain dental standard. To-day we have swept that standard aside. We take everybody with dentures or without dentures. If their dentures are not working

successfully we make them over again. The medical officer to-day need not look into the mouth when he enlists a man. The only thing he looks for is a jaw abnormality; for instance, a cleft palate or something of that sort, something that would be most difficult for us properly to fix. We have found one dentist has a great deal of difficulty in establishing dental fitness for 500 men because the difficulty is that the training period of the infantry man is down to about three months. This fact alone would require four times as many dental officers to complete treatment. Then, of course, other things come in. We have our own training to take. Officers must have leave, inoculations with 24 hours off duty each time.

Also, dental officers get sick in the same proportion as other officers. All these things come into the picture; but the ratio has been fixed of 1 to 500, and I believe it will remain there. Perhaps the soundest reason for that is that there are not enough dentists in Canada to carry any higher percentage. There are to-day, I would say, 4,400 dentists in Canada to serve 10,000,000 to 12,000,000 people. That is a certain definite percentage, but a thing we forget, gentlemen, is that only 15 or 20 per cent of our people get any dentistry done. I do not know whether that figure surprises you or not, but we only do dentistry for 15 per cent of our people, perhaps 20, not more. The reason is that the other 80 per cent neglect their teeth or they have not the funds to pay for the treatment.

Now a war begins and in will come a large percentage of that 80 per cent and we have not enough dentists in the country to look after the men. I shall be able to give you some particulars of that later on as to how many operations we have done and what the deficit is right now.

The dental detachment or team with the officer is composed of a dental assistant and a dental orderly—I shall explain. If you go into a dental office to-day you will find a neat looking girl there who looks after the doctor's appointments, helps him at the chair, sterilizes the instruments and all that sort of thing. In the army we find the dental officer can get much more work done when he has another rank there to help him. In the dental office in civil life the person you do not see is the charwoman who cleans up the office and looks after things of that sort. In the army we must have an orderly. He cleans up the premises, runs the messages, learns to sterilize instruments so he can relieve the assistant. He is the officer's batman, and so forth. So there are no batmen in the dental corps. They care for the dental offices and we call them orderlies. In civil life there is still another fellow behind the dentist whom we do not see; the technician. The dentist does the work in your mouth but a technician in a laboratory makes up the appliances. He may be employed in the dental office or in a commercial laboratory. The percentage we have set up is 1 to 2; for every two dental officers we have one technician, and the percentage seems to be working out fairly well.

Then, of course, we have our own administrative personnel. We must look after the administration of the corps, and the purchase and distribution of our own supplies.

The standard of treatment is something you will be interested in. This used to be a common argument but it has rather died out now. I shall not forget one man who got me in front of a group one day and said, "You are doing too d—— much work for these fellows." All we are doing is eliminating pain and infection. We are filling cavities because they are potential sources of trouble, and we are making dentures.

The gold account of the dental corps is very small. There is no gold used at all unless it is indispensable. There is no such thing in the army as an officer coming in and saying, "I do not want a silver filling, I want gold." He can have it, but he pays for it himself. He is entitled to a silver fitting; if he elects to have a gold filling and there is time to make it, he pays the difference

between that silver filling and the gold filling. There is no gold used where we can possibly avoid it. Another point is that we have not gone into the pink denture materials. Everybody would pass up the vulcanite denture, that is perfectly serviceable, if they could have a nice acrylic resin one.

Mr. HARRIS: At \$50 extra.

The WITNESS: At so much extra. Acrylics will come in dentistry; they are here now for the more discriminating patient, but vulcanite is the old standby. The main thing is that our mechanics are trained to handle vulcanite, and this dental corps has a great deal of work to do. We are not running courses for the improvement of technicians when we have something that is good enough for the present. We have acrylic resins in the background, to be paid for if they want them, but they cannot have them as issue.

I shall now touch on the amount of treatment rendered to date, that is up to May 31 by the way, and these are the last figures we have. The Corps has examined 311,000 men. Dental operations required by them ran over 1,600,000. We have completed to date over 1,400,000, so we are still a couple of hundred thousand down. The value of these operations ran over \$2,800,000.

By the Acting Chairman:

Q. An operation is filling a cavity?—A. It is anything; it is a denture or a filling or an extraction. I thought you would like to hear about stores and equipment. The dental corps is responsible for the purchase and distribution of all technical stores. It would be very lovely if we were able to go to ordnance for them, but neither ordnance nor the dental corps had the trained personnel in the beginning and we felt that it was rather up to ourselves to do this purchasing.

The United States dental corps sticks absolutely to the law that tenders should be asked for and the lowest price should carry the contract; but that is not always good for this reason: a certain man will make a hundred tubes of anaesthetic for \$5.00 and the next man will maintain that his are just as good as the other and they are only \$3.50. Now, the purchasing commission will say there is only one answer. But who is going to say that the lower priced tubes are "just as good as". So the American dental corps has created a testing laboratory where they arrange to test everything—the steel in instruments, the chemistry of a solution—it has an immense task. So we took this attitude: we had a group of average dentists in the corps; and we knew they should have the same sort of equipment as in civil practice; and that meant the old standard lines. I am very happy to tell you that the Munitions and Supply people have purchased them for us right along.

Now then, we have in Canada a group of dealers, about six or seven, reaching from coast to coast. As you might expect they are a price setting organization, but they set prices right across Canada according to catalogues—and thus cannot be accused of being a monopoly. When these gentlemen were not manufacturers they could only quote lower rates by cutting prices on articles coming to them at the same price, so my own method of doing it was this—I 'phoned Toronto, enquired first as to whether they had a dealers' organization, then invited them to send their President and Secretary to Ottawa for an immediate conference. They came down and chatted the whole thing over. I requested them to go back and hold a meeting to see if their prices would agree and then to tender on all our needs right across the board with no attempt to tie us in any way. In other words, if they had 10 articles but we thought we could buy the 11th one more cheaply elsewhere, the Department would not be bound to a blanket contract by any means. Of course, they have had to tender the same as anybody else, otherwise, it would not have been legal. There was a small percentage of items that could be supplied

by other dealers when the Corps was out for the cheapest compatible with the necessary quality. The essential point was that there was nothing to prevent the acceptance of such a contract.

Another feature is illustrated by the requirement of a dental chair. This group was the only organization that could quote on this article, yet they put a discount on it of about 30 per cent; something they need not have done except for the fact that they had put in a blanket tender as stated above. It is a feature that cannot be told any dental group; because after the war these fellows would protest about prices and draw attention to the discount allowed to the dental corps. So we feel we have a real advantage in so far as supplies go.

You ask any dental officer how he likes his kit, and he will tell you it is good. In it he has everything he needs to do modern dentistry with, except the articles with which to make a jacket crown—we do not include the equipment for that because if a patient wants a jacket crown he has to pay extra for it and we send it outside and get it made for him. I can count on the fingers of my two hands all the jacket crowns we have made since the war began. We have not time to deal with them.

Certain points about stores may interest you: for instance, I have said we thought everything should be standard—that is, because the men are used to operating with it. Other points are that it is easy to replace an item in general use and it is the one that is usually carried in stock; that is what we wanted, and I might tell you, gentlemen, that it was the first question that we had to solve with the Adjutant General. At that time the Director General of Medical Services was in charge of the dental corps, and he said that it was all perfectly simple regarding equipment—"just write an indent on England and they will send you the goods." Now, the equipment supplied the British dentists is not the equipment our officers are used to. Ninety per cent of the equipment we use is made in the United States and is very modern; and, another point, it is not possible to purchase and get delivery from England when you want it—I certainly would not like to see our officers take on a British dental kit; I do not think we would have had one over here for months and months after we started if we had bought in England. I would like to tell you here that we bought things quickly and easily in this country, and the First Division Dental Company went overseas in December fully equipped; they were ready to do dentistry the minute they stepped off the boat. The only thing they lacked was an X-ray machine—we had to compound an X-ray out of three different standard makes. Incidentally, I shall circulate some of these photographs. There is a photograph of the equipment of the First Division Dental Company.

Now, we could not buy certain dental items for the army any more than a person can buy a tank in civil life for pleasure driving. For instance, the fine dental chair in which you sit when you go into the dentist's office is absolutely out of place in the army for several reasons; one of these is the mere fact that such a chair weighs around 400 pounds, and you certainly could not carry it around in the field. The next point about it is that it costs around a dollar a pound—a dentist's chair as we know it is worth anything from \$300 to \$1,000. Now, if you are going to need 600 of them immediately and have to pay \$500 on the average for them it becomes a sizeable item. I would like to tell you what we did. We found that nobody was making the kind of a chair that we need and we had to compound one. We went to the makers of Tubular Steel Garden Furniture and got from them a dental chair with practically no machine work on it. I think there is only one bolt on it and that is one at the back that carries the headrest. If that chair breaks anywhere in this army it is welded and they go on with it. We have so far not had a dental chair come back to headquarters for repairs. I think that is a point. I would like to tell you another story about that. I was at a convention in

Toronto this last year and here was one of our field equipment chairs on demonstration. One of the civilian dentists came up to me and he said, "My God, there is a world of graft wrapped up in that dental equipment." That was pretty close home because I had to sign the orders. I said, "What item are you looking at?" He said, "That chair; that chair is made in East Toronto—boy, oh boy, what they are knocking down on that." I said, "Oh, are they making several thousand of them?" He committed himself pretty well, and finally I said, "Now, may I tell you something about that chair; it costs anywhere from \$33 to \$37 usually." I said, "How much do you think they are grafting out of that chair at \$33 or \$38?" "Oh, Lord, he said, "do you get it for that?" I said, "I really happen to know something about it because I watch every order going through and although we change it this way and that, it has never yet cost us \$40 a chair." He said, "Somebody is talking through their hat." I said, "By the way, it is not made in Toronto at all, it is made in Woodstock."

Now, you see the stories that get out about these things. So there is the dental chair. We have cut the weight to less than 40 pounds. It fits in the case you will see there. You do not require a screwdriver or a pair of pliers or an hour of a mechanic's time to get it together. I would like to tell you that the whole dental equipment from the two cases can be unpacked, the engine assembled, the chair assembled, and the cabinet opened all ready for a job and a patient in the chair in four and a half minutes. That was done on a test for General McNaughton in England.

One feature of the dental equipment we must be careful about is that it must be portable. Those cases that you see weigh about 100 pounds apiece. One man could not wear them for a watch charm by any means but one man can get along with one case and two can carry it easily. I do not think it is intended that we should carry this dental equipment on a route march, but it must be sufficiently light to be unloaded without having it pounded up. That is the first criticism I had of it. A man said, "that will never stand up." Well, we have only had one case broken since the war started and that one flopped out of a crane on a dock when it was fully loaded and fell on another the corner going through the 5-ply veneer. The cases are made in various places, some are made in Kitchener and some in Nova Scotia, but we find that we are getting a common quality and it is a very good one.

There are other items that perhaps I should not take up your time with. Am I spending too much time on this?

The ACTING CHAIRMAN: Oh, no, go right on.

The WITNESS: You would recognize, of course, that some of these items have to be specially made. I mentioned chairs, I should like to mention trunks. You walk into a dental office and you see a nice mahogany cabinet that may have cost \$200. Our trunk which opens up to make all the equipment available costs, I think, about \$20, but it is portable. That is the main thing, it is portable and easily accessible. Let me illustrate that in another way. The American equipment is in trunks the same as ours, but when you open the trunk you must remove the equipment and it requires a table about 5 feet long to lay it out upon. Our cabinet is absolutely different. You open the drawer and the second drawer on the right may be full of extraction instruments, for instances, and they are always there where you leave them. There are other things that bother us to death. One has not any idea of what a headache a headlight can be. In this country, the dentist, of course, when he has a root up in an upper second molar socket, for instance, puts on the headlight and takes a look at it, but where is his power coming from? You cannot wear a headlight with 110-volt in a lamp because the Hydro will not let the dentist use it; it might cause damage to the patient. In Canada we use a little step-down transformer. We get it specially and quickly made and it plugs into the outlet. The headlight plugs in and and you use 6-volts in the

headlight. Overseas, if really caught we have a battery box that the dentist can carry in his pocket and this same headlight plugs into the battery box. The batteries are good for half an hour or three-quarters of an hour. You may say, "look at the batteries you will waste." That is all right. They do not cost any more than a .303 cartridge anyway. And so we give the operators batteries to use when they are absolutely necessary.

Other things come up that you might be interested in too. Suppose a gold bridge is broken and some soldering work has to be done. If you go to a dental laboratory the technician reaches for a gas blowpipe and solders it up for you. Out in the field it is different. Now, we investigated alcohol torches and gasoline torches and finally we came down to acetylene torches and we have a small one that requires no reducing valves or expensive apparatus, and it does away with the soldering problem out in the open field.

I could go on with quite a number of items, but these will serve to illustrate the point.

Another feature about the stores was that the Dental Corps was early recognized to be something beyond a group of dentists. Most people think a Dental Corps is all dentists, but my no, this dental game is far too specialized, and so when we came to stores we got dental supply house men to come in as quartermasters, quartermaster sergeants and other stores personnel. Now, you may say why? I met a dentist of Ottawa on the street the other day and he criticized me because of that very fact. I said, "well now, just let us talk business for a moment. You would like to be a quartermaster?" He said, "yes." I said, "what do you know about mouth mirrors? You have been using mouth mirrors have you not?" He said, "for thirty-five years." I said, "what is the most popular type of mouth mirror, plane or magnifying, half, three-quarters or seven-eighths diameter, cone socket or solid handle. I said where could you buy 500 of them in a rush?" He said, "I would have to look that up." I said, "multiply that information by 800 items and you have the size of your job if you came in as a quartermaster."

Now, we cannot take dentists for quartermasters. There is only one dentist with us as a quartermaster, and he is an ex-dentist who was selling dental supplies in this district before the war. I do not think you could object as a committee to the fact that we have gone outside of the dentist profession for other people.

Now the cost of the dental corps. There were three major factors we had to look for. First, the cost of the initial equipment in stores. We had to equip the corps first, then we had to create a reserve stock. You gentlemen have studied other branches of the service and you know that most people figure on a six month's stock. We dropped it to three months because we did not think the Germans were going to blow up so much of our equipment. Incidentally, one of our stores did get hit in England and some equipment went through the roof, but we have just lost the one Q.M. stores. So we set up a reserve stock, three months consumable items. The next reserve stock that we had to set up was one that we were ordered to look out for because of United States participation. In other words, we were warned that if we had anything to buy in the United States to buy it before the Americans clamped down on exports, which they have done by the way.

The last order of dental burs that went through in the United States was 1,600,000 dozen; think of that. Where does Canada get burs?

By Mr. Hansell:

Q. What are they used for?—A. That is the little drill that cuts your teeth. It was rather astonishing that the bur game before the war was controlled by the German. He made several types of cheap burs and they infiltrated the United States to a most surprising degree. Since the war, with the supply cut off,

the American factories have been running day and night and they simply cannot cope with the demand. It is rather a serious situation that we are facing, and thank goodness I can state to you that I am at least 2 months ahead on my supply.

By Mr. Picard

Q. What is the average life of a bur?—A. A good dentist will only cut one cavity with one bur. If you put a dull bur on a tooth, it only warms the tooth up and make the patient jump.

Q. The Bur is the metal drill?—A. Yes.

Q. It would serve for only one operation?—A. Those little things are worth 10 to 15 cents each.

Q. It may be used for only one operation?—A. Yes. Actually they average more. If you have a sharp bur and cut a tooth, you would only cut the sensitive part of that tooth. But you would sterilize that bur and use it to break down the next cavity or cut the next old filling out or something of that sort. So it really economizes more than that.

By Mr. Hansell:

Q. Are any burs made in Canada at all?—A. There never has been a bur made in Canada.

With these points in mind, we found during the early stages of the corps that we had to put a loading charge on each soldier coming in; at one time we set it at \$1.80 a man. That was for the purchase of dental equipment.

Supplies: We found that the operators used \$4.40 per man each year. That was to build up our reserve and do the work. I put down a note here that dental services will come down to probably, I would say, between a half a cent to a cent a day per man. That is less than the cost of an army pair of boots per annum. The dental corps to-day is operating 235 clinics in Canada. These range from 5-man clinics to 1-man clinics. Now you might say how do you serve a great camp like Borden with a 5-man clinic. We do not. The reason we do not build a 20-man clinic is because it looks and operates like a railway station. It makes the patients walk too far. If they do not walk they get transportation and that is worse because that uses gas and time and so on. So instead of building a 20-man clinic we build four 5-man clinics and put them out in different sections of the camp. So it stops patients walking so far. There are no clinics in the dental corps, with one exception, greater than about a 5-man clinic. There is one going in for the navy at Halifax that will run up to probably 18 operators, but that will be the biggest one. They are creating it in one of their buildings. The cost of these clinics: we find that 140 of them are located in buildings that are already being used by the government. Ninety-five have had to be built for us.

I made a couple of other notes that may be less important. There is one here on documentation. We found that we had to do two things. One was to tell the dental condition of the soldier and to have it there available for our use or that of the Department of Pensions and National Health after the war and so on. The other was to check our own personnel. So they are divided between dental documents and our own returns. You would be interested to know that we have a daily diary for each dental officer. It is impossible for him to do only three operations a day and not have it discovered. We found one operator doing three operations a day. It did not last very long. He has to sign a daily return, to show the name of each patient and what he did for him. That goes in each day to his own district or command dental officer. At the end of a month we get a sheet from the district with all the operations done in that

district for the month, and from that we compile our records, by which I am able to tell you that we have done 1,400,000 operations or something of that sort.

Then we wanted to know something else. We wanted to know how much work an operator could do a day, because after the war we will be using this information for looking after civilians perhaps. So we added an officer's return for duty days. If an officer is granted half a day leave, all right, but it is not charged up to his district for time. And so we checked. This is the return. If a man works morning and afternoon, he crosses the square both ways. If he works half a day, he puts one diagonal across. On Sundays there will only be an emergency man on perhaps. But we can tell at the end of a month how many duty days were worked for that district, so we can compare districts, and so I can tell you that in one province they worked harder than in another province, but I have to be rather careful because the dentists object to having province pitted against province.

We have one more return, the dental condition on enlistment. Once we have established our statistics and data we shall drop that one. The dental record all goes on this form. Here is the state of the teeth on the left, the condition of the gums and so on over here; and on the back will go the work that was done.

By Mr. Sissons:

Q. Does that follow him?—A. If you would like to know the mechanism, you will notice this is 1 and 2. On the first examination number 2 is stroked out and number 1 is made out. That number 1 goes right to the records office in Ottawa. That is his condition on enlistment. Number 2 document is exactly the same as this, but on that number 2 is recorded all the dental work that is done for him, and that follows him, when he goes to England. That cannot go to the field any more than the rest of his documents so everything in the field is done on this document, the M.F.B. 465B. In the old days this was mailed back to London and clerks copied the information on the other one, but they found there were too many errors. So to-day we have an envelope and this form is simply slipped in; and after the war, if you wish the dental history of any man you can compose the whole story. We had to take that envelope for another reason. There are X-ray films, etc., that we could not attach by a clip on the corner.

Mr. HANSALL: There will be a copy of those files, Mr. Chairman, will there?

The WITNESS: I shall send over copies of them all. I have one other item.

By the Chairman:

Q. I was going to ask whether a soldier's reappearance was voluntary or whether he was required to be examined from time to time?—A. Well, all our work—there was a frenzied rush to get the first treatment over for 200,000. But actually out in the units—say we have a battalion of 1,000 men—these documents are all left in the dental clinic. Each day the clerk makes out all the appointments for the next day and a message is sent to the unit, such as "Send the following 20 men." They are listed according to the work they are to have done. The first thing to get done is the emergency work—sore teeth. The next thing to be done is the extraction, because the mouth must heal before you can insert dentures. After that fillings and finally dentures are proceeded with.

By Mr. O'Neill:

Q. Men who are applying to-day for enlistment are not turned down because they have poor teeth or because they require dental work and have not the money to get it done themselves, are they?—A. No. The orders to-day say that every man in the army must have a dental examination, and when he comes for the examination, this form is made out.

Q. A year ago it was not that way; a man applying for enlistment would be told by the doctor examining him, "You go and have your teeth examined."—A. Yes.

Q. And he would not have the money to get that work done.—A. It was a ridiculous situation. For instance, one statement was that a man could be accepted with a certain number of dental points or efficient dentures. I would like to tell you a joke about that. One of the boys was being examined in Toronto when the dental officer looked in his mouth he saw something that was absolutely wrong; it was a full denture that did not fit by a mile; he grinned at this fellow and said, "Would you call that an efficient denture?" Now, nobody understands what an efficient denture is. It is anything you want it to be. However, the man said, "Well, it should be, sir; three guys got in already with it."

If a man told a falsehood and got in the army, the next day he could say, "Would you look at this denture, please; it is hurting like the devil." So we swept the thing right out of existence. There is no use keeping up an appearance simply to be able to say to our neighbours, "We are insisting on a standard," because it is impossible.

By Mr. Picard:

Q. Do you think that men get in the service after they are examined medically and later are discharged because their teeth cannot be repaired or there is a mouth condition which cannot be remedied by a dentist, and so on?—A. No.

Q. So the fact that there is not a dental examination before the entry of the man into the army does not work against him? If he is accepted into the army it means that you can fix his mouth all right?—A. Yes.

Q. There has been no case in which a man has been turned away on account of his teeth after being admitted?—A. No. As I say, I do not know of one case. If you were a medical officer and a man came in, we will say, with a deformed jaw—for instance, a man with a bad cleft palate could never become an N.C.O.; he could never give an order, and it is a problem whether a dental officer could make him a plate. Those men would not be taken.

Q. They are rejected at first by the medical officer?—A. Yes; that is in the order. A jaw abnormality keeps a man out.

By Mr. Sissons:

Q. Have you any record of the number of dentures?—A. The percentage?

Q. I believe there was a return brought down earlier in the session.—A. I could give you that return. The denture work is around five per cent. That is an approximate figure.

By Mr. Picard:

Q. What is the percentage of recruits who need treatment after they enter the army?—A. One hundred per cent. I have yet to find one case where they said, "You are fine." They all come under the dental officer.

By Mr. Sissons:

Q. Have you any record of the number of recruits coming in who have never had any dental work done? I was speaking to one of your officers who told me that out of 40 to 50 men only one had ever had any dental work done.—A. We have never asked for any statistics on that, but it would not be hard to take the percentage over a period of a month.

Q. I saw one report which said that only 15 or 20 per cent of the public ever went near a dentist.—A. That is right. Now, then, you might say, why

do work for them in the army? I remember the last war. A bad toothache before a battle was an apparent way of dodging the game, was it not? You could not get out of the line on that account, unless you had a badly swollen jaw.

One great source of trouble in the dental game is that soldiers throw away or break their dentures. For instance, suppose there is a battle to-morrow that you and I must be in, and I take my lower denture out and break it and say, "I can't go on; I have a broken denture." Well, they have to take action on that sort of thing. It is now in the manual of military law to charge a man who wilfully breaks or loses a denture after he has been supplied with it. Recently we had a little disturbance in one province. A man was to be discharged who wore a pair of dentures, so they gave him his dental sheet and told him to go to the dental clinic and get his examination for discharge. On the way over he destroyed the sheet, took his dentures out and put them in his pocket and told the dental officer he had never had dentures. The dental officer said, "You will have to have dentures." But on checking the situation, we caught the fellow and he was ordered to pay for them. Actually he did not pay because he produced them. But that is the sort of thing I had reference to. What was in his mind, the Lord only knows; he must have wanted two pairs of dentures.

By Mr. Sissons:

Q. What about the small training camps, where there would be probably 200 to 400 men; do you put a dentist in there?—A. We have to look after them in another way. If we have a dental officer available he goes in and stays until he fixes them all up; after that the regulations permit us to have a civilian look after the emergency work only. We had to restrict the civilians to emergency work. I am speaking out very frankly. Certain civilian dentists will take advantage. For instance, a man breaks a denture and he goes to a civilian. Well, the government is paying and the response is, "Oh, you need a new denture." He may not need a new denture at all; the Corps would repair the thing and give it back to him. We are honestly trying to avoid those things, and that is why after paying out considerable money we decided that the civilians should be restricted to emergency work.

We never can get along without the civilians. For instance, you may be in a unit in Ottawa but you are visiting out in Pembroke and you get a toothache; you will go to any dentist out there, and that is all right. But we would not pay the man if he said to the soldier, "You need five or six fillings; let us do it while you are on leave." That would not be considered emergency work.

Q. In these smaller camps do you have a dentist, a dentist's assistant, and a dentist's orderly?—A. Wherever the dentist goes his subsection goes with him. You may know some particular camp that has not been too well serviced, or something like that, I do not know. But that is the theory behind it.

Q. Oh, no; the camp I have in mind, I think, is well serviced. It contains, I think, about 300 men. I do not see how it would be possible for you not to have a dental officer there. There is only one dentist in the community; the other dentist enlisted, and the one remaining is trying very hard to get competition for himself but he cannot get it.—A. The service will do those 300 men, but it is a question of when. There may be 300 there but there may be 1,000 somewhere else that that man is working for.

Q. No; this camp is 400 miles away from all other camps. That 300 is changing almost from week to week; at least, every month.—A. Yes, but excuse me, where would they go? Their treatment may come later, you see.

Q. They would go to a further camp.—A. Mind you, the dental corps is never up to strength. The reason is that every time authority is received to increase up to a certain strength the forces have increased further. The

appointment of dental officers, too, is a slow process, because everyone who wants to come in has to close his practice, store his equipment; wait for two months because of a lease that is not expired, and so on. And so we do not get dental officers as fast as the men come into the army. If we are not up to strength perhaps there would be no dental officer out there at all, but we shall catch these men later when they come into another camp.

Q. Can you give me any idea of how long it would be after a man enlists before he would in any event receive dental attention?—A. Ordinarily, in some of the camps when a dental clinic is close by, he might go for examination the next day.

Q. I have heard disturbing reports of some fellows who have been enlisted some months and never had their teeth looked at.—A. The best I can do is keep after the dental officers and see what documentation is done for every camp.

Q. In the matter of a month or so a man should receive dental attention, should he not?—A. Well, you would think so. By the way, if you care to give me the instance I shall give you a definite answer on it.

Q. Oh, no, I have no complaint on that.—A. The thing we try to do is push on with the job. If we are slow, we are slow, and all we can do is speed up wherever possible. Some of the districts cannot begin to complete their dental complement of officers. Others are above. To give you an example, the enlistment of dental officers ranges all the way from five per cent in one province to 24 in the highest one. The province that has recruited only five per cent of its dentists has to have some sent in from another province. And we do not send them in immediately, as it is more or less up to each district officer to secure men in his own province. So there is always a little lag for that reason. We are striking all sorts of difficulties, you know.

Q. I can appreciate that, and I think you are almost creating difficulties for the civilian dentists who are unable to keep up with their work.—A. I received a request from the province which supplied 24 per cent of its graduates. The Provincial board said, "Would you please not take any more dental officers from this province until other provinces catch up on the ratio?" Well, I had no authority to answer that question, because if a man right in their home city would like to come in to-morrow I cannot say, "No; you are from a certain province; I cannot take you." But we cannot avoid the possibility that the civilian population may not be looked after. It may be the same with gasoline. To-morrow you may say, "There is no gasoline for you next Sunday."

Q. Are many young fellows going through for dentistry just now?—A. We got about 50 to 60 per cent of the class this spring; the balance is not usually bad in Canada for the people who want dentistry. But here is a tremendous, sudden load with all these boys coming into the army, and that throws it all out of gear.

By Mr. Hansell:

Q. There would not be too many dentists when the war is over, I suppose?—A. No, because we are not creating any.

By Mr. Picard:

Q. You might have state-enlisted dentistry after the war in order that everybody may be well looked after, so that you might not have enough dentists?—A. There is always a deficiency after a war because so many young men would have been in university getting their degrees had they not gone into the army.

By Mr. Hansell:

Q. You are the author of these reports? They are circulated throughout Canada, are they?—A. No. It is a secret report. It belongs to the department. There is no reason why you gentlemen cannot get them.

Q. It is rather voluminous considering all the work we have, but I thought they might be valuable if they were not secret. I was going to suggest they be placed in the library, but I suppose that would not be possible if they are secret documents?—A. The department chose to state that they were secret, but I do not see why they should not be in the library. I think I could easily get permission to put a copy in the library. Incidentally I have some more photographs here of our equipment if you wish to see them.

By Mr. Hansell:

Q. I should like to ask this question, Mr. Chairman: Who is it that handles your accounts? What I have in mind is this: is so much money appropriated or allocated to you and then you spend it?—A. No. Are you familiar with the general set-up?

Q. No, I am not.—A. At the beginning of the fiscal year we put in an estimate. If that is O.K'd it is put to our credit in the usual way, against which we issue what we know as financial encumbrances on it for so much to be spent. But we do not spend it and we do not order anything. The Department of Munitions and Supply does all our purchasing. For myself I cannot spend a nickel, but I can recommend it to be spent.

Q. Would it be correct to say that the Department of Munitions and Supply is the final authority to approve payment?—A. I would think so, although there is a point in there regarding their relation with Treasury.

Q. They would not necessarily have a dental officer in the Department of Munitions and Supply?—A. No. As a matter of fact, they have a man doing the medical and dental purchasing who was formerly on the staff of the Hartz Company in Toronto, who handle medical supplies. He is not a specialist in dental supplies, but he does a good job nevertheless.

Q. Does your corps have any relationship whatsoever with the Department of Pensions and National Health?—A. No, it is a civilian organization. The Dental Corps handles the soldier until the minute he is discharged; they handle him from thereon. If they do work for us they charge us. Actually, there is very little of it and we do not get any accounts. You see, a soldier may be sent in to a D.P. and N.H. hospital, and during his sickness he may have a tooth extracted. When he gets out, the Dental Corps hear nothing of it. On the other hand, one civilian who was a patient of D.P. and N.H. was working near Ottawa at an aerodrome. They said he could not get into Ottawa to go to a dentist during the day and would the Dental Corps mind taking his teeth out. So our officer at the station extracted his teeth. It is just a little co-operation.

By Mr. Picard:

Q. You said your clinics throughout the country numbered 235. Are they located near any camps or are they located outside, within certain cities near the camps, or are they just in military camps?—A. Actually they are as close to the camps as we can possibly get them. They are mostly inside. Here is a little difference. Let us take Peterborough or Brockville or some of these towns. The camps may be out at the fair grounds and the dental clinic may be over in the armouries a mile away; but it is there because it costs nothing.

Q. It is in a convenient place?—A. Yes we put it as close as possible in order to avoid loss of time on the part of the boys. You know, there is diffi-

culty there, because there is a great loss of time if you lose control of these boys by permitting them to go out of camp, therefore the clinics are mostly in the camps.

Q. You feel that the dental science had improved so much since the last war that you are able to make more economies and give better service than you did in the last one?—A. You realize I made a study of the old dental corps. The gentlemen who organized it were snatched out of practice at the beginning of the last war or shortly afterwards and they attempted to run all departments of the dental corps. Now, I quoted you one point. A dentist cannot buy dental stores. I can tell you that a certain forcep is lovely but I have not the faintest idea of the discount which should be allowed and so on, so we have the dental people come and tell us. I think they deserve a great deal of credit, because they have certainly given us good equipment at a very low price. Here is another point: dentists in the last war attempted to create their own laboratories. We did not do that. We obtained technicians to run the laboratory end of it, because dentists are not dental technicians. The tendency is to stand at the chair all day long and our technicians make the dentures. Why should we form a corps and let the dentist do this laboratory work; he does not know as much as the technicians. I am speaking generally, of course.

By the Acting Chairman:

Q. Does your supervision of dental services cover the three services, namely, navy, army and air force?—A. Yes. The first order of the minister was to have one service, and that is a direct economy, because we have our headquarters administering the three. It cuts down the dental personnel. We have one equipment. There is no extra expense in purchasing extra reserve stores for the other services. Also, take a thing like documents. After all, if you print hundreds of thousands of documents you are paying money, and our one set of documents runs all across the three services.

Q. Active and non-permanent?—A. Yes.

Q. Reserve?—A. Of course, the reserve men we do not do much with.

By Mr. Picard:

Q. Suppose you have your corps, school or camp a few miles from the city, would you have to operate more than one clinic or would you have one conveniently located to the other camps? I suppose you operate only one to serve the two units?—A. Yes. The tendency of the air force is to want their own. Early in the game they said "We want a separate group looking after us." Well, that is very satisfactory because they are a big service. I would say one-third of our boys are working for the air force constantly, but it often happens that one clinic will do the job of both. I shall give you an example, Currie barracks in Calgary. When we were building the clinic there we planned for three operators for the army and two for the air force because of the two air schools right beside it. Anything like that we can do it.

Q. To try to simplify the work and to cut expenses?—A. It is a little difficult to formulate but it is done by two books for clinics, one runs the army and navy and the other runs the air force. The other day a command dental officer from down east wrote up and said he wanted a dental clinic built at Debert. He was requested to see the senior dental officer commanding at Debert for dental treatment for his small group of men. We have no trouble; we find the services get along very well.

Q. Are you in a position to give us the strength of the dental corps at the moment, officers, N.C.O.s and other ranks?—A. I could make a pretty close guess at it. I did not bring over the actual figures, but I would say for overseas and Canada there are about 550 officers, and if you multiply that by $2\frac{1}{2}$ you will get the other ranks, 1,400 to 1,500 other ranks.

By the Acting Chairman:

Q. What is the rank of a dentist?—A. He is a lieutenant to begin with and becomes a captain.

By Mr. Hansell:

Q. Does your corps handle the dental services for the forces from other countries such as Australia and Great Britain?—A. On repayment by the Royal Navy. R.N. personnel may have treatment at any C.D.C. clinic. The correct number of copies of the account form, M.F.B. 465B, are forwarded to Ottawa to be charged to Royal Navy. Treatment for personnel of the New Zealand or Australian Air Force is charged to R.C.A.F. under the terms of the Air Training Plan.

By the Acting Chairman:

Q. Is a dentist in enlisting making a financial sacrifice?—A. In many cases, yes. In addition, with dentists leaving their practice and with people earning more money than they have had for a long time there is more dentistry being done and many in practice are now balancing up dollars and cents against the possibility or advisability of being patriotic and coming in. Actually the pay of a dental captain is greater than the average net income of dentists in Canada, net income, but less than that of the more highly qualified group.

By Mr. Picard:

Q. Are the men who come in under the mobilization scheme and the people who enlist in the active service force on the same basis as far as dental treatment is concerned?—A. During the first four months? You are speaking of the four months' period?

Q. And those who enlist for active service?—A. They are put in for the duration therefore theoretically they should get the same dental treatment but actually in these camps we just carry them along for the four months. If a man has not dentures we make them. If he has a painful tooth he would get it fixed but at the end of the four months' period he is sent out in the active force or on coastal defence batteries or something of that sort and he would then get his treatment completed.

Q. You do the urgent work and the other is kept in abeyance until the end of the four months' period?—A. Yes. Another interesting phase of our work is that we have to do dental work for internes and prisoners of war. Nothing seems to suit these fellows—a fact that is very annoying because we feel that our men in Germany are not being treated nearly as well. In this connection, we had a most amusing one at one of our camps. A German came in who could speak a bit of English. He had some gum trouble. The dentist looked at it and turned around and said to his assistant "Give me some Churchill's iodine." The German jumped out of the chair annoyed and said he was not going to have any Churchill's iodine used on him.

By Mr. Hansell:

Q. I wonder if I might ask this question and find out whether it is dental work or medical work, or a combination of both. I have in mind orthodontia on a man's jaw. Might that be a job for a dentist or a medical man? Where is the line of demarcation there?—A. The British regulations say that we shall collaborate with the medical services in fixing injuries of the jaws. Say you have a patient in the hospital; he is in charge of the medical officer and the medical officer may decide to fix that broken jaw and if he should so decide there is not much we can do about it. The next medical officer may say, "come along and see what we can do with this man's jaw." In one place in England they are turning over a whole ward to the Dental Corps because our officers are

able to carry on. In that case the medical men have decided to share the load. It is regarded as a matter of the medical officers concerning themselves of the competence of the attached dental officers. You see the difficulty faced by the medical service. If the teeth are all in place it is very easy for a medical officer to ligate these teeth; wire them in correct relation to the opposing teeth and so hold the parts of the mandible in correct approximation till healing is complete. But suppose that lower jaw has no teeth in it. Then the medical officer requires the dentist to make a splint for this purpose of correctly approximating the parts of the broken jaw.

Q. How many years university training, or what education does it take, to become a dentist—say from high school?—A. We call it a two-four plan—that means, two years preparatory work and four years of dentistry.

Q. What about post graduate work?—A. Well, you see, I gained two degrees—really three degrees by post-graduate work.

By Mr. Picard:

Q. Your equipment and supplies are all purchased centrally through headquarters at Ottawa and then distributed? Does a local dental officer have any authority—except for necessary supplies that he needs—to buy locally or has he a certain amount, a certain number of dollars monthly at his disposal or something like that?—A. I think they are limited to \$100 a year. The reason for that is that they may purchase “pet” instruments if they are not limited. They say, “the instruments you have given us are O.K., but I would like this or that pair of forceps”—that sort of thing. We do not allow any purchases to be made of alternate equipment. But suppose there is a sudden heavy outbreak of trench-mouth in a camp and the dental officer ran out of drugs he could not indent on Ottawa and wait several days for them to come back; he would buy some and go to work on it; so he is allowed to make small purchases, but that is all.

Q. All the other purchases are standardized and are made at Ottawa and then distributed?—A. That is right and that goes for all three of the services.

Q. And all the equipment is in accordance with the equipment you have shown us here?—A. There is a little difference, there are places where we have a few standard chairs; and there are still places where we have some rented equipment.

Q. You just mentioned trench-mouth; I noticed somewhere in connection with the last war they had a lot of trouble with that, they had frequent recurrences of outbreaks; have you had any experience with that?—A. Trench-mouth would ravage the camps if you let it go, it is as infectious as the very devil. When trench-mouth occurs we immediately collaborate with the medical services. The medical officer will make an inspection of the kitchens, messes, on hygiene and canteens, if necessary they will see that these men are segregated and they may have them placed in hospital. We co-operate in this way all the time.

By Mr. O'Neill:

Q. What is trench-mouth?—A. Trench-mouth is caused by a spirochete—the same type of organism as that of syphilis but not related. In the mouth, it thrives in pockets around the teeth, under the bridge-work, etc., and may develop to a degree where considerable sloughing occurs. It is called trench-mouth because it became prevalent in the trenches during the last war. The boys used to get it by a number drinking out of the same gasoline tins, for instance.

By Mr. Sissons:

Q. Have you had any serious outbreak of it in Canadian camps?—A. Not much, the dental officers jump right on it. Our most serious trouble is caused where men who have been treated or are being treated are transferred to another camp. We used to depend on the honour of the individual man to do what we told him; when he got to the next camp to report to the dental officer, but in a good many cases we found he did not report with the result that he would infect other men. Now we have a regular list for these men and a man does not get off it until he is cured. The treatment is continued where they are moved, and in some cases they are even held off drafts altogether. Where these men are transferred we have them report immediately to the dental officer to continue the treatment. So, I would say it is largely under control. As a matter of fact, the medicals were running a course in Ottawa recently and they asked me if I could get 25 swabs of it for them. I could not find them here. I sent to Montreal for some, and I sent to Kingston for some, and I think altogether we got about a dozen.

By Mr. O'Neill:

Q. How do you account for its wide appearance during the last war?—A. I think it sprang into prominence because of large bodies of men drinking out of the same water containers, etc. It is not so dangerous in the mouth but it renders a man unfit for duty. You would not hospitalize a man for it normally, but it certainly makes a temporary casualty out of him otherwise.

Q. On a railway construction job you see a can of water and a little tin dipper hanging on the side of it and all the men go up and drink out of that one can of water and that one dipper but you never hear tell of trench-mouth there?—A. Then, I will quote you another side of it: the diet during the last war was deficient in some of the vitamins and that the elimination of this trouble is capable of reducing the incidence of trench-mouth; so far in this war this dietary trouble has been avoided.

By Mr. Hansell:

Q. Is it very prevalent in civilian life?—A. I think we did not notice it.

By Mr. Picard:

Q. What is the cause of it, is the cause known?—A. It is like a lot of other things; it is very difficult to determine. In civil life you generally don't get it from a water glass and so on. You might pick up an infection in a cafe where they did not properly wash their dishes; but, well, kissing is a big cause in civil life.

The ACTING CHAIRMAN: Take warning.

By Mr. O'Neill:

Q. I have some instances at the present time with regard to a man discharged from the army on account of a jaw abnormality caused presumably by a wound in the last war. I am not so sure of the truth of the statement made to me by this individual, but after I get further along with the correspondence if it becomes necessary to verify this statement that can be verified, can it?—A. Oh yes, we shall give him a thorough examination at any time.

Q. I mean, he must have had a dental examination because his statement is that he was discharged due to a jaw abnormality caused by a wound in the last war. If his statement is correct he must have a record in some of your offices where he was examined?—A. That is true.

Q. If necessary I could get that?—A. Oh yes, we have these all the time.

By Mr. Harris:

Q. I would like to ask a question along the same line as the one I asked the witness yesterday: Is it possible to secure for the committee a statement of the cost of operating dental services? A general statement was made, we have that.—A. I did not bring the exact figures with me but we have them.

Q. And, at the same time, you have a lot of young men coming along in the dental services I imagine; you have schools, have you not?—A. We have a lot of young men coming along.

Q. You are schooling them, are you not, to serve as technicians?—A. Yes, we have one school of 60 technicians going through now.

Q. And they just have the ordinary senior matriculation?—A. The ordinary senior matriculation—we ask that they have university entrance qualifications for the province from which they come.

Q. And are they commissioned?—A. No.

Q. They are not commissioned?—A. No.

Q. I would like a statement of how many of them there are attached to the service now, what schooling they are receiving; are they included in this two-and-one-half times the officers?

The CHAIRMAN: Colonel Lott, you will receive a copy of the evidence taken to-day for your revision and you can get the questions there.

The WITNESS: Thank you.

I might tell you about the technicians again: I can remember when the first technician came into dentistry. It was just about the time I graduated and the dentist with whom I was indentured said to me one day; "here is a new thing, you can send your dentures to Toronto now and have them made up while you go on with the work in your office, they don't charge very much to make them either; and it is a fine thing." Well, from that time the laboratories have grown to a point where many of the personnel feel that they should have equality with dentists. It is just as great an argument for the dental corps as pharmacy is raising with the medical corps. Now, we do actually give these boys commissions in the better cases. The regulations allow a good technician to be appointed as a Lieutenant, and to be promoted to the rank of Captain in charge of a laboratory. They do not accept service in the ranks in many cases. They wish to be Lieutenants. Many of them are not worthy of it because they have not the necessary educational requirements. Laboratory work is learned by an apprenticeship, like painting or any other trade; and we do not think that they should have this privilege of all entering the service as Lieutenants. I suppose the controversy will go on, but it is regretted because they definitely hesitate before they come into the dental corps.

Q. In other words, they are trying to make a profession out of it?—A. That is right. Now, you see, this became a sort of a club over my head; if I didn't get them privileges they would not come in; and I simply fell down on it on my part—I could never have gotten through with it anyway, the Adjutant General would not have stood for it. With the same reasoning, why should the electricians not want to be officers and refuse to enlist unless made Lieutenants; at any rate, they definitely failed to respond and we did not force the issue. We put in a school of 60 technicians. The reason the school contains 60 is because the laboratory will train 60 at a time. We have located it at Toronto because they have the biggest laboratory in the country and they can handle 60 boys.

By Mr. Picard:

Q. Are they chosen upon their own request or because of previous experience in their trade?—A. We have to adapt various methods. For instance, if a

boy had previous experience and the necessary educational qualifications we send him. If he were already in the dental corps as an assistant and he requests this training, we send him also. We are simply trying to get the best men and the reason we ask for this educational requirement is that after the war if they decide to take up dentistry, part of the course will then be already completed.

Q. How long does that course last?—A. Six months.

By Mr. Sissons:

Q. Is this allowed as a credit in the dentistry course?—A. No, no, this course is composed from the course that the dental student takes in prosthetic dentistry in his second and third year, but I am in no position to say that it will be credited on a dental course. After the last war many requirements were reduced. They graduated students who had seen service with a shortened course that allowed them credit for the service they had put in. I think that after this war we may have the same thing happen but I cannot guarantee it in any way.

Q. You figure that the cost of the initial equipment of which we have seen a picture is obtained by you at a much better cost than it could be obtained by a civilian dentist according to the arrangement for purchase you were talking about a moment ago; that it costs less for the army—a good deal less than for the civilian?—A. Cheaper?

Q. Yes, cheaper.—A. Yes, oh my, yes. That purchasing will stand any possible investigation.

Q. You say that there is a lack of technicians at the present time?—A. Yes. The whole army is badly in need of tradesmen. An example of this is the giant school that Col. Ball is in charge of to teach mechanics of all kinds.

Q. What proportion of the denture work would now be done by civilians instead of your own technicians?—A. There is not any; we are doing all our own work.

Q. I thought you said there was a lack of technicians?—A. A lack of technicians coming into the army; we cannot get them to enlist.

Q. How are you getting this work done?—A. We are getting along. It is slowing us down in the meantime, that is all.

By the Acting Chairman:

Q. Promotions to higher ranks, of course, mean an increase of cost to the country. Who passes or recommends promotions?—A. Well, the establishment will only permit of certain promotions. The district dental officer out in a certain district will recommend a promotion first, but if there is no place on establishment he cannot get the promotion. That recommendation is forwarded to headquarters, Ottawa, and dental H.Q. concurs before the adjutant-general finally deals with it. So there is no promotion made other than at headquarters.

Q. Could the head of each and every dental clinic become a captain?—A. Yes, the same as a medical officer. They go in as lieutenants and are allowed to become captains when they have qualified, but they cannot go higher than captains unless the man happens to be a specialist. Now, if a man is a specialist and does the work of a specialist, he may attain a majority, because he is probably leaving a much better practice in civil life than the ordinary dentist would. In fact, unless these men get the rank it is difficult to induce them to come in. Right now, for instance, we cannot get enough men in to look after jaw work, and the reason is that these practitioners are usually specialists and practice may be too lucrative. We might as well face the facts.

By Mr. Picard:

Q. Whatever the cost of your services at the moment you do figure decidedly that it represents an economy over the system of having the work done by

civilians while the men are in camp in Canada. I have read somewhere that some people were suggesting that the dental corps should delegate part of their work here in Canada to the civilians and function only overseas or for the active force; but you do figure decidedly that it represents an economy in having a larger and more extensive dental corps functioning for the whole service?—A. Yes. You see if you do not have a large corps in Canada how are you going to get men to go overseas? It must be so. We do not need an army in Canada according to that argument because they are not going to fight here, and these gentlemen could argue the same way. This is training in Canada for the dental corps. The man learns his documentation and all that sort of thing here in order to go overseas. We get all sorts of schemes. For instance, a little while ago one man was convinced that we ought to bring home all the dental officers from overseas to carry on their practises and to let somebody else come in. It takes you six months to make a dental officer, and then they would throw them out of the army.

By the Acting Chairman:

Q. If there are no further questions I am sure the members of the committee would like me to express to you, Col. Lott, their appreciation of your review of the services under your direction.

Mr. PICARD: Col. Lott's statement was most enlightening.

Mr. HANSELL: Yes.

Mr. PICARD: I think the expression of appreciation will be unanimous.

The ACTING CHAIRMAN: If we find as we proceed with our work that there are some points on which we desire further information we will take the liberty of asking you to come again or to provide the information in some other way.

The WITNESS: I am at your service, I am sure. Before I leave I should like to tell you about our latest innovation. In England, we have found that the dental corps had to work, among other places, in cow stables, dog kennels and tents in the bush. In most places there was no readily available water supply, perhaps, no artificial light and so on, so we designed this dental truck.

By Mr. Sissons:

Q. Who designed that truck?—A. Oh, a number of us had a try at it.

Q. A Canadian designed it, did he? It is designed by your own service is it?—A. Oh, yes, the body only; it fits on a standard chassis. This truck is equipped with a motor generator so that it has a 110 volts, 60 cycles supply. If we send a truck to Iceland, what is the cycle? Is it AC or DC? What is the cycle or what is the voltage for Newfoundland or for England? In England if we move a clinic fifty miles we are faced with providing for another cycle and another current. We, perhaps, cannot run our laboratory motors and it is a nuisance. So we have included in the design a motor generator with 110-volt 60-cycle, and this current now is standard for us. We can put one dental officer into it, we can put an X-ray man in it to make his exposures and process them because the generator is strong enough to run his X-ray machine. We can put four technicians to work in this truck and the motor generator will run the quarter horsepower polishing motors for the four of them. There are 25 gallons of water on the truck on tap and inside so it will not freeze in the winter. The water tanks are easily taken off their shelves to be sterilized. These trucks are equipped with Pullman blinds so the men can work at night. The windows are the ordinary coach type window and let down from the top, but the new ones are going to be pushed up from the bottom, because it is hard to design a window to take the jar of the road when held open by a catch. This truck is insulated throughout, and another feature is that it has a heater in it with a circulating system so that you get cool air in the summer and warm air in the winter.

Another feature is that so many patriotic organizations in Canada have seized upon the idea that we are going to purchase a good number of them with donations. There must be \$10,000 or \$12,000 at headquarters now in the regimental fund. The money will be turned over to the receiver-general for those bodies.

By Mr. Hansell:

Q. What does one of those trucks cost?—A. The body with the generator is worth \$1,750:

By Mr. Sissons:

Q. Was there any similar equipment in the last war?—A. No.

Q. Is there any such equipment in the English Army?—A. No. This truck takes the dental man and his subsection to the place they have to go to do their work and they work on board, where they are protected from the weather and have light and water and heat. Apart from that it saves a lot of time and I think the idea will pay for itself.

By Mr. Hansell:

Q. There was one question I was going to ask before but it slipped my mind. You said that those burs were all manufactured in the United States. Would you care to give the approximate percentage of the dental equipment that is manufactured in Canada? Could you give that information offhand?—A. It was generally felt before the war that 90 per cent of our equipment came from the United States. Under present conditions we buy our trunks, our motors, our polishing motors and operating motors, our operating lights and portable chairs all in Canada. I do not suppose it amounts to any more than 10 or 20 per cent. Canada is an extremely small dental market.

By Mr. Sissons:

Q. Could burs be manufactured here if it is found necessary to do so? If we are faced with the situation that it is necessary could we manufacture them?—A. Perhaps, but the output would not be worth it. There must be a different machine for each type of bur, and there are many different types.

Q. You have a supply for twelve months?—A. Yes.

By Mr. Hansell:

Q. It represents a small portion of dental equipment?—A. Yes, but it is important because your dental officer would go out of action without burs. Canada is developing in dentistry like in everything else. Lately we have started to make anaesthetics. We now manufacture all our own anaesthetics and we make our own pliers. We could not get steel forgings from England soon after the war started, so we make them at St. Catharines, I think.

By Mr. Picard:

Q. They were bought in the United States because they could not be bought in Canada?—A. Our purchasing program states definitely that everything we can purchase in Canada must be bought here; next that if there is an American company which has a Canadian subsidiary we buy from that American company if we cannot buy a Canadian product, that is we buy an American product if it is manufactured in a Canadian factory; thirdly we buy from the empire and fourthly we buy from foreigners.

Perhaps we might take a few minutes to discuss our further meetings. To-morrow morning we assemble at the main entrance here at 10 o'clock in order to visit Lansdowne Park.

Mr. PICARD: That is the training school?

The ACTING CHAIRMAN: Yes. Then, just off the record, if you please—

—On resuming:

We will leave it that we shall be notified by the clerk as to the time of the next meeting, shall we?

Mr. PICARD: Tentatively, 3 o'clock on Tuesday, but not before that?

The ACTING CHAIRMAN: Yes.

The Committee adjourned at 5.07 p.m. to meet at the call of the Chair.

(NOTE: *The sitting of July 15, was held in camera.*)

JULY 16, 1941.

The Subcommittee met at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: We have a quorum, gentlemen. As you know Air Commodore Ryan is the Director General of Medical Services for Air. We have asked him to come here this morning for the purpose of giving us the set-up of the medical corps as it pertains to the air service, and I shall just ask the Air Commodore to proceed.

Air Commodore R. W. RYAN, Royal Air Force, called:

The WITNESS: I suppose the first thing you want is more or less the organization of the medical branch.

The CHAIRMAN: Yes. Have you copies of your brief?

The WITNESS: No; I have a copy of the relative subjects you asked me about on Monday, the establishment of the separate branch and the reasons therefor.

The CHAIRMAN: On extra copy?

The WITNESS: I have a copy in my office. I thought I would hand it to you for your perusal and incorporation in your minutes.

Mr. GLADSTONE: It might be well to have the witness tell us a little about his personal connection in the past.

The CHAIRMAN: Yes. Perhaps for the benefit of the committee, Air Commodore, you would be good enough to tell us where you came from and your experience.

Mr. PICARD: Your curriculum vitae, we might say.

The WITNESS: I transferred to the Royal Air Force in England in 1919. I had been with the Royal Army Medical Corps during the war on a voluntary basis, and as I was rather interested in flying—I had not done much in those days, one had to pay about three guineas or \$12 for a flight in a rickety old basket, still one was interested in it—I was asked by the then present Director of Medical Services in those days to join up with the R.A.F. As he had been in the army medical corps with myself he thought that I might like to adopt it as a career. Well I have been in the air force continually since then and have served with the air force in various parts of the world, India, Palestine, Egypt, Iraq and Aden; and I have seen flying practically under all circumstances, peacetime flying in England and flying under active service conditions. In all these countries where we were serving we were constantly at war with the various tribes, on the northwest frontier and in the upper reaches of Aden and Palestine; and I have also seen and done a lot of flying under tropical conditions. It is not quite realized I think by the general public that there is a particular strain in flying in what we call the tropics. Firstly the

weather is very hot; it goes up anywhere to 125 in the shade, and one is working in that heat up to midday at any rate normally, but in the afternoon if the exigencies of the service demanded it. So one got a general idea of the reactions of men who actually fly under all circumstances. It was interesting, especially abroad to watch the gradual deterioration both in health and in morale when a man was kept out in the tropics too long. There was the added strain of knowing that if he had a forced landing in hostile territory it would probably be the last that would be heard of him and the deaths to which they put one was not very pleasant; so that one got a general insight gradually into the inside of flying and its requirements.

Flying went on on a straight level for many years. The problems that we face to-day were not in evidence then because machines were slow and our altitude was not very high. The ceiling was low too and it was only when we came up against those fast moving machines like Spitfires and Hurricanes which jump from the ordinary 150 miles an hour to 300 and 400 miles an hour, and the extra ceiling that we were able to obtain that problems arose which were not in evidence in the early days and in the good days of peace.

Well, at the end of 1939 or in January, 1940, I was invited out to this country with the idea of advising and possibly organizing the proposed branch of the Royal Canadian Air Force, the medical branch. When I arrived the service had not been authorized and in fact it was not authorized for about eight or nine months after I arrived in the country. In the meantime I spent my time lecturing to the school of aviation medicine which was in force then, to the medical officers coming into the air force or for attachment to the air force, on the needs of flying, the method of selecting flying personnel and the problems which one came up against amongst the air corps.

Then in September when the new branch was authorized I was asked by the Minister for Air and the Deputy Minister if I would take on the job of directing the new service for a period at any rate until it was properly established. We are really in the process of still establishing it. I think it ought to be on a fairly firm basis by the end of this year. There were a lot of difficulties that we came up against: firstly, the question of personnel. The air force out here was dependent for its medical requirements being satisfied by the Royal Canadian Army Medical Corps officers and other ranks also.

Mr. GLADSTONE: Might I ask if the witness will tell us something about his training, whether it was along the lines of engineering or medicine or some other branch?

By the Chairman:

Q. I assume your early training would be medicine, would it not?—

A. Yes, it was medical, pure and simple.

The first difficulty we came up against in the establishment of the service was to obtain the personnel, and the personnel had been supplied by the Royal Canadian Army Medical Corps and it was arranged that those officers and airmen that were serving attached to the air force would be invited to decide whether they would stay with the air force and thereby resign their commissions in the Canadian Army Medical Corps or whether they wished to return to their own parent body. At the time of the change-over we had approximately 184 medical officers attached to the air force from the army. With the exception of 10 officers serving on a permanent basis, men who had been working in the army before the war and were on a pensionable basis, practically all medical officers transferred.

Q. When was that?—A. That would be in September, 1940. The change-over took a long time. It was not for some months that they were actually

gazetted into the air force owing to air force routine which was entirely different from the army. Those men—about 174, I think, out of 185—transferred over, and we had about 90 per cent or 94 per cent change-over amongst the other ranks. We then began to recruit medical officers for the air force direct, having got our own service, in order to meet the needs of the expansion. There has been a certain amount of difficulty in getting the numbers that we require. I think the army want about 350 and we still want 121, the difficulty being that quite a lot of the younger medical officers, medical men rather, in this country at the moment are not showing a great deal of interest in any of the services. At the present moment we are established up to the point of 121 medical officers short to meet the growing needs, and about 350 other ranks; but we have quite a number now under training.

Q. Do you mean 350— —A. Airmen, medical airmen.

Q. Three hundred and fifty short at present on your establishment?—

A. The establishment calls for those. If we get that number we ought to be set up for the finish of the Joint Air Training Plan to the end of the war.

Q. I want to get this clear. You mention 121 M.Os. short?—A. Yes.

Q. Is it the 350 figure mentioned a shortage too?—A. Men.

Q. Short?—A. Yes.

By Mr. Picard:

Q. You are short medical officers and other ranks, 350?—A. And other ranks.

Q. Not physicians?—A. No, 121 of those.

Q. One hundred and twenty-one physicians you have now?—A. Yes.

121 The CHAIRMAN: No. Maybe we had better get that cleared up. They are physicians or medical officers short and 350 other ranks short.

Mr. PICARD: And 350 other ranks short?

The CHAIRMAN: Yes, short.

The WITNESS: That shortage is not immediate. It is what we want.

By Mr. Picard:

Q. With the expansion?—A. To complete the expansion. We have other units coming into being. We are having squadrons going across to England and each one of those squadrons will have to be established with a medical staff. But the 121 is not immediate. The immediate need is only about 20 or 30. But looking ahead, that is our total shortage.

Q. May I ask if that includes the whole Air Training Plan or is that just for the Canadian air force?—A. No. It includes the Canadian air force, what we call the home war establishment; that is, the two coastal defences and the whole of the Joint Air Training Plan, the special units which are coming out here from England—that is Royal Air Force units. There are approximately 16 complete units at the moment, and they are gradually increasing in number. They are coming out established with their own medical staffs.

Q. I see.—A. They wanted us to complete the establishment for them, but we find it is impossible because we are short ourselves. I think at home they are probably more short than we are, but we cannot meet their demand. We may be able to next year when the present internees who are doing their 12 months in hospitals come out; when they graduate from hospital next July there may be a big influx into the service then. The Canadian Medical Association is helping us in that way; they are keeping an eye on them and they are going to find out what percentage wishes to join the service, and what service they wish to join.

Q. May I ask this question? The Canadian air force in the Empire Training Scheme is kept distinct from the others, is it not? I mean, you have Canadian squadrons, Australian, New Zealand and British?—A. In this country?

Q. In this country.—A. No. Take Uplands for instance, which is Number 2 Service Flying Training School. They train New Zealanders, Australians, Royal Air Force and Royal Canadian Air Force. They are all mixed together in a training plan. They graduate after completing their course, and then the unit is filled up again with a quota from New Zealand, from Australia, from England and from Canada.

Q. And you have to look after all those people yourself? I mean, your branch has to look after them?—A. Yes. They are responsible for them.

Q. Not only for the Canadians but for them all?—A. The whole plan.

The system on which we work is that we have a headquarters personnel, including myself and my staff, each dealing with some particular branch of this service. I am responsible for the general policy, and I am the chief adviser on all medical technical matters to the chief of the air force. Under me I have a staff of four small subdivisions. The first and most important is the officer who is responsible for research and for investigation. He deals with—may I have that sheet, Mr. Chairman, just to refer to the various items?

The CHAIRMAN: Yes.

The WITNESS: There are a lot of problems which arise which require a specially trained man to look after, a man who has had a good training in physiology and at the same time is a medical man. I have with me Wing Commander Hall of Toronto University. He is responsible to me—in fact, we do it together more or less for the problems which arise. There are one hundred and one problems which concern men who fly. The first and foremost at the moment is the problem of oxygen supply. These machines have a ceiling—not in this country but at home—of anywhere between 35,000 and 40,000 feet. The problem is to produce a satisfactory oxygen mask and a satisfactory oxygen supply for him at that altitude. A pilot does not require such careful watching in the air at 30,000 feet. He is the least important man in the machine. The most important man is the air gunner; and following him I should say the air navigator. The air gunner is a man who requires to move about the machine a lot, and therefore he is expending energy and therefore he requires a better supply of oxygen and perhaps better equipment than the pilot, because the slightest exertion from 20,000 feet up calls for an expenditure of fatigue which a man cannot afford to expend at that height. So that one of the main problems is the oxygen requirement. At the moment we are working in close contact with the National Research Council, of which we are members pro tem and the National Research Council of the United States. We have succeeded, we think, in producing an ideal mask and the ideal oxygen supply. We have tested out the supply and the mask from England and we find that it has many defects; and they are dependent on us at the moment to produce something for them.

The difficulty with the oxygen mask is to incorporate a microphone in it, through which the pilot and the other members of the crew can speak and pick up messages from the ground and other machines. The great problem, as far as that was concerned, was the freezing of the microphone at 30,000 feet.

By the Chairman:

Q. May I interrupt you for a moment, Commodore? As yet no member of the press is present but as there might be I should like to know if you would prefer to give any of this information in camera, or whether you have any objection?—A. If I come to anything which I think might be better not published I will tell you. I take it that I can say anything I like in here and if you ask them not to publish it, it will be all right?

Q. The press is not represented here yet but a representative may appear. If you come to a section which you think should be given in camera, let me know, and we will arrange matters accordingly.—A. That was one problem, the oxygen supply and the microphone, and I think we have found the answer to it.

We have tested the microphone and the mask at 35,000 and 40,000 feet and at a temperature of minus 60 degrees Fahrenheit, and we have found it is going to be satisfactory. We now intend to produce the moulds for the mask and the microphone.

Another development which arose which we had to get onto fairly quickly was what we call an automatic flow regulator for the oxygen. I am speaking of one department in my headquarters organization. The amount of oxygen one requires at 15,000 feet is small in comparison with the amount required at 25,000 or 35,000 feet. We found that the pilots and the rest of the air crew were finding difficulty in getting a sufficient amount of oxygen when they got above 20,000 or 25,000 feet. They had to regulate the flow themselves, and that distracted their attention from the work they had on hand, such as bombing, fighting, and so on. So we had to get the work done quickly and develop an automatic flow regulator which we have now produced. That means that as the machine climbs higher the flow increases automatically. It was a flow meter which we have introduced and worked on for several months until we got a satisfactory one.

Another thing which we had to go into, and for which Wing Commander Hall and myself are responsible, is the effect of very low temperature and high altitudes on the efficiency of men in the air. By practical experiment we gradually found the answer, and through means of properly heated aircraft, on which we are working now, and properly heated clothing with the right texture, we have, we think, if we have not increased the efficiency, at any rate we have prevented the deterioration of it at high altitudes.

Then we had to go into the efficiency of the flying gloves and mitts which they wear in the air as protection against cold. That is another problem which we worked on practically down in Toronto, and the same thing with flying helmets and clothing.

The greatest problem on which we are working at the moment is a thing called chronic altitude sickness; that is to say, that a man who is constantly exposed to high altitudes develops certain symptoms, and the more frequently he is exposed to these altitudes the quicker this altitude sickness comes on. It means that a man develops all sorts of symptoms, like pains in the joints, let us say any joint, which are due to the release of bubbles of nitrogen in the tissues from the blood. Our problem is to counteract that. We have found by experimentation down in London, Ontario, where we have a small unit working with the university there, that it may be overcome to a certain extent by getting the pilot or air crew to breathe oxygen on the ground for half an hour before they go up into the air, at the same time doing exercise. In England they have been making the pilots and their crews walk on a treadmill for half an hour, breathing oxygen, and then going up into the air immediately. That is the way in which they have counteracted it, but that is not perfection by any means, and we are still working on it.

(At this point evidence was given in camera)

Another problem is the effect of ordinary diet which is issued to soldiers and airmen and naval men. We find that the ordinary diet which is issued in the form of rations to airmen is not suited to them or to their particular calling. It is a first-class diet and would satisfy the needs of any man on the ground doing hard work, but we have come across a lot of air sickness and we were using quite a lot of trainees through chronic air sickness. That is a thing which is entirely apart from that altitude sickness I was talking about. Certain people cannot stand abnormal movement at all. One notices sometimes that

children avoid going on an ordinary swing or roundabouts or those roller coasters; they cannot stand up to it; they get sick in the same way when one is up in the air and the conditions are bumpy; the susceptible man will become air sick. Some of them get over it as soon as they become accustomed to it the same way as a man gets accustomed to the movement of a ship at sea, but there is a certain percentage which never gets over air sickness at all and they are lost to the air force as trainees.

By Mr. Picard:

Q. They cannot get over that?—A. They cannot get over that at all. If we can save half a dozen of those air sick crew men we are saving the country quite a lot of money.

(At this point evidence was given in camera)

Now, a soldier requires a fairly bulky diet because he is doing a lot of foot slogging and a lot of manual training; an airman is in a different position, you might regard his job more or less as a sedentary one. He is either in the lecture room learning his stuff or he is sitting on a bench in a workshop or he is sitting down in an aircraft, so he is not expending much energy and, therefore, this diet which he is having is too bulky for him and he cannot absorb it. The first thing we noticed they were becoming a bit sleepy after lunch in their lecture room, and secondly, quite a number of them were becoming sick in the air.

Our principle is that every medical officer who is at a station in contact with flying personnel must keep in personal touch with every single trainee. Get to know them by name and get to know the instructors by name, and he gets hold of these fellows and asks them how they are getting on, if they have any complaints or anxieties and so on. By this personal contact we learn quite a lot from trainees, and they all confess they felt far more tendency to air sickness after a heavy meal than they did before. We had to go into that question and we have now produced a diet which has the same value as the previous one but which is lighter in character. I have looked it up and I find I misinformed you the other day. I said it was not going to cost any more, but I think it is going to cost one cent per man. If the cost of the ration is down to 25 cents per man, this will probably cost 26 cents in the air force.

By the Chairman:

Q. Per man per day?—A. Per man per day. We have tackled the subject and I think we have the answer to 50 per cent of it anyway, but there is the chap who will always be air sick and we cannot cope with that. So far we have been losing 25 per cent. You might say to yourself that if you can pass 75 per cent of all the men that come into the air service you are getting good value; but you have to look further ahead than that. Twenty to 25 per cent of men are not accepted for flying duties when they come up for examination.

By Mr. Picard:

Q. You cannot detect that impossibility to assimilate air conditions when you examine the men?—A. Yes, we do give them a test, but only under one circumstance and that is if the applicant coming up for examination to take some job as an air crew man, a gunner, a wireless operator or a navigator or a pilot has low blood pressure. If he has low blood pressure we put him through what we call a rotation test which simulates the movement of the aircraft. It is a well known fact that the man with low blood pressure, which is in keeping with health under ordinary circumstances, is the first man to be air sick and is the man first to show a tendency to blacking out. The man who stands up to the abnormal movement in the air, the bumps, turns and

planes, and the man who stands up to the blacking out better than his brothers, is the man who has a raised blood pressure, slightly on the high side and whose build is slightly on the tubby side; that is to say, the rather short man well covered. On the other hand we take a chance and say that the man with the normal blood pressure or the raised blood pressure will stand up to the air sickness; he will become accustomed to it, but not so the man with the lower blood pressure.

Q. When you speak of putting them under the same conditions as in the air you mean putting them in a sort of chair that rotates?—A. A rotating chair with the hood in different positions in order to effect the three different angles in the air.

Q. The movements are made quite sharply?—A. Yes, comparable with an aircraft.

Q. In the last war they did that in a sort of elementary way?—A. Yes.

Q. I tried it.—A. If the man responds in the right way under that test, if his blood pressure rises we accept him, but if his blood pressure tends to fall under those conditions of test we reject him because we know quite well that even without a bumpy atmosphere or without any stunting at all he would be inclined to faint, if he was simply doing a straight flight.

By the Chairman:

Q. Tell me, has medical science found any way of curing that low blood pressure?—A. We have tried them with various stimulants such as adrenalin which causes a rise in blood pressure, but it is of such a temporary character and nature that it does not last more than for a particular job. So we do test them for this susceptibility to fainting and abnormal movement before they are accepted at all. Well, now, we lose a certain number.

Q. May I just repeat that low blood pressure is not necessarily indicative of any disease?—A. No, the fact is a man with low blood pressure is not required to fly. Take yourself, if your blood pressure was on the low side you could congratulate yourself that you would never have an attack of apoplexy or brain hemorrhage.

Q. Some might have it and some might not.—A. It is a constitutional tendency. You cannot help it. We lose a certain number when we examine them, anywhere up to 20 per cent. Well, then, we have 80 per cent of the men left accepted for flying. Then in the process of training either through some inability to learn to fly or getting a distaste for it by becoming afraid of it we lose another 20 to 25 per cent, so that eventually what with your flying accidents and your ceased training cases you may get 40 men out of every 100 that came up to you. Sometimes it may be 50; so that even if you can save by some means or other by these investigations and this research a certain percentage of the potential wastage it is doing quite a good job of work. That is another thing that we are up against.

Q. This is still under research?—A. The No. 1 department in headquarters is doing that work. That is the work that Wing Commander Hall and myself are doing.

By Mr. O'Neill:

Q. Before we get away from that subject may I say I was at Uplands field the other day and I saw a little machine out there and the body of it is very similar to the pilot's seat in an aeroplane. They call it flying without leaving the ground.—A. That is the Link trainer.

Q. Can you use that for the purpose you were speaking about?—A. No, it is used for two reasons, firstly, to teach a man his instrument flying, his blind flying. He has a set of instruments in the machine and they are worked

by electricity. He can control the movement of that Link trainer himself. He is completely hooded over and he is set a course by the instructor sitting outside the machine and told to fly so long in one direction. He has his compass there. They do a turn at a certain bank, a certain angle, fly another course, come back and fly another course, and finish up at the original point. His course at the same time is being traced on a table by an electrical connection with his machine. He cannot see where he is or what he is doing. But having had a certain amount of training he eventually comes back near the spot from which he took off, theoretically, the spot from which he theoretically took off. That assists him in flying by night and flying in clouds. A man has no idea what position he is in when he is in a cloud. He may be upside down so far as he knows. It is for blind flying, flying in fog, flying at night and flying in clouds. He has all those instruments. The trainer is purely for learning to fly by instruments and nothing else.

Q. It has nothing to do with the medical test?—A. No; but we do get the medical officer to work in close liaison with the Link Instructor to get an assessment of the man's aptitude for flying so far as instrument flying is concerned. That shows a man's value at the end of his training. From that they will decide whether they will make him a bomber pilot or a fighter pilot. It is all part of the appraisal of the training. Strictly speaking it is not a medical test at all. It is purely and practically flying instruction.

Another subject which comes under that No. 1 department is the study of conditions for night flying. It is not every man who can fly well at night because he lacks something which prevents him from being able to interpret form or shape or something that he sees, and we test every man now on a certain apparatus at various centres in Canada where they are originally examined to detect their suitability for night flying as far as vision goes. And we assess them as above the average or average or below average and on that test we decide whether they will be out on operational flying by night. They may be confined to day flying only; and it is surprising the number of people whose perception at night is bad; that is to say, under complete conditions of darkness.

Pilots have an instrument panel which is flood lit and they are required to look at those instruments at night. Then when they take their eyes off that panel and look into the darkness it takes them quite a long time in some cases to adapt themselves to the darkened conditions, particularly as they are much troubled by the slightly blue flame coming out of the stub exhaust of the engine. In order to determine what men have quick perception, quick adaptation at night, we have to study every man individually and put him through that test. We have evolved a test in conjunction with the people at home. These instruments have arrived in the country and tests are made now to determine every pilot's disposition or disposal when he gets over to England; that is to say, we recommend him to be a first-class night operational pilot or a secondary one or one who will be below the average. That is one of the responsibilities of my office at the moment.

Another subject that we have to spend a lot of time on is a study of what we call colour perception. For a man to be a successful airman, even on the ground in some cases, he must be able to perceive his primary colours, because all signals are given to machines by means of colours, for instance, the landing by day or by night. When a pilot comes back to his operational squadron he is signalled as to whether he may land or not. For instance, if they fire a green Very's light at him from the ground he realizes that the ground is clear and he may land. On the other hand if they fire a red one at him it may mean that he is not to land but to go somewhere else.

About 6 per cent of the people who come up are what we call colour defective; that is to say they will recognize a green as a red and a red as

a green, which is a very difficult situation to find oneself in in the air. Further, navigators and wireless people have received instruction on their panels, their instrument panels in the air by means of colours, indicating what wave length they are on or what course and so on, in contact with the various people on the ground, and if a man cannot recognize his correct colours he is going to do some harm. In the same way the air gunner has to appreciate colours, too. We try to study this colour perception to get rid of this 6 per cent wastage which come up for examination for piloting or other forms of air crew work. That is the responsibility of this directorate that Hall and I are running together.

Another thing we have to work on is finding out the method for determining what we call depth perception in various planes, horizontal and semi-vertical and so on, because depending on a man's power of depth perception is his capacity for landing an aircraft safely. We are doing a lot of work of that nature at the moment.

Another thing we have to work out is the reason why a man's visual acuity becomes less under conditions of high altitude and intense cold. Also what we have to look after is a study of the visual acuity in varying degrees of illumination such as night, dawn, twilight and under glare conditions. Other activities refer to the heating of aircraft, emergency kits for parachute jumping, anti-glare goggles and equipment for gunners exposed to high velocity winds in gun turrets, fatigue, and so on. That is one branch of the organization in brief at headquarters. The second sub-branch is related—

Mr. O'NEILL: Mr. Chairman, may I ask a question just at that point?

The CHAIRMAN: Yes.

By Mr. O'Neill:

Q. Is it possible to correct defects in colour perception? For instance, a man who is able to distinguish red from green you may find does not react quite so readily to smoke red—the difference between smoke red and yellow. Is there any way you can fix that?—A. Colour vision comes into three categories. One is the man who is normal; that is to say, the man who can determine his primary colours easily—red, green and blue—and who at the same time can tell yellow from orange and orange from red or pale green from dark green and so on. That is the normal man. The second category is the man who is known as colour defective, safe; that is to say, he never mixes up red with green, but he may call an orange a yellow or call it a red, or he may call a green a blue.

Q. Yes?—A. But he never swings from one side of the spectrum to the other. That is the danger. The biggest mistake he will make will be to call pale green, white or to call yellow, white. But he will never slip off the white and call green, yellow. He is safe. We accept all those people, because their signals are really the primary colours. A man who is on the safe side knows quite well that if he sees a yellow it is a red. He knows that. There is the third classification where a man will call a deep red a green or a deep green a red; that is to say, his colour perception is completely lacking.

Q. Yes?—A. To him every colour is probably grey.

Q. He is a dangerous man?—A. Yes. He would be very dangerous, particularly just towards dusk. But he sees everything as grey, the real colour-blind man. But he is an expert at matching shades. That is the extraordinary thing about it. You can put 50 pieces, say, of pink material on this table, each one gradually deepening in shade; and whereas you and I may not be able to put each in definite order perfectly, a colour-blind man can. He can put them from 1 to 50 in definite order of the depths of shade, because they are particularly good at perceiving shade, through the effect of luminosity

and intensity of light, and everything is grey to them. So each grey is a bit deeper than the other as it goes along, and he could put them in perfect order.

The CHAIRMAN: So a railroad would have a common problem with the air force, Mr. O'Neill.

Mr. O'NEILL: Yes. I might state the reason I mentioned that; for instance, in the railway game we have high speed trains where you have them controlled by these automatic electric block signals. In extremely smoky conditions, we have men that do not readily find whether a light is smoke red or yellow. While a smoke red is a red signal, it is what we term a smoke red because it has changed its colour a little bit. But it is still a red signal and it means "stop". The other is just a "caution". You do not have to reduce your speed. You can go past that signal at the same speed but using "caution" to the next signal. If you mistake smoke red for yellow it is just too bad, because you should have stopped. I was wondering if there is any way of correcting that, or if in your studies you had found any way of correcting those defects.

The WITNESS: That is one of the problems we are trying to work out at Victoriaville now, where one of our units is down in Quebec. I have been dealing with this colour vision for 20 years. I am very interested in it. I have come to the conclusion that a man who is born with a defect in perceiving colours is in the same position as a man born without an arm. You cannot grow one. It is a constitutional lack somewhere. But we are pursuing it to see what we can do.

That smoke red that you talk about is comparable with the defective man in the air at dusk or in fog. It is exactly comparable with the smoke.

By Mr. O'Neill:

Q. You would be bothered with smoke conditions if you were in a battle-zone?—A. Yes.

Q. The firing of guns will make smoke anyway?—A. Yes.

Q. Just the same as a forest fire?—A. Quite.

Q. The operator of an aircraft would be under the same conditions as a railroad man would be in going through country where you have a lot of smoke due to forest fires?—A. Fog and thin cloud have the same effect.

By the Chairman:

Q. As a matter of interest there is the type that has simply not been educated in colours?—A. He is known as the colour ignorant man, but he is not colour-blind. If he knew what to call a red, he would see it as red. It is only because as one grows up from infancy and one is told that such and such a thing is red that you learn that it is red. But if you have colour defects in your perception, you cannot learn that at all.

That is one department of the organization at headquarters dealing with all the problems that arise in connection with flying, and it is really one of the biggest and most important jobs we have.

Q. We are still under No. 1?—A. That is the first branch, with myself. As I say, I am running the policy and directing the work that should be done on those problems which arise. The second branch I have is run by Wing Commander Tice.

Q. What is the name?—A. T-I-C-E. He is from Hamilton. He is at the moment in England doing liaison with the research people in England, our own counterpart over there. He went over there with Professor Bott of Toronto University and Flight Lieutenant French who is working on this pressure suit and the late Sir Frederick Banting, who of course was killed.

Q. Are those departmental heads all medical men?—A. All medical men, yes. I will tell you when we come to the others.

Wing Commander Tice runs a branch for me which deals with the training of medical officers. He is the one who is responsible for their training at the School of Aviation in Medicine and for laying down the policy regarding maintenance. Once a man is accepted into the air force for flying duty in some form or other, he has got to be maintained to prevent deterioration.

Q. For the information of the committee, what is his history? Is he a graduate of a university?—A. Wing Commander Hall is a graduate of Toronto University and was working with Sir Frederick Banting in the Banting Institute in Toronto before the war. He was Sir Frederick Banting's No. 1. Tice is a Hamilton man, and graduated in Canada and was with the Canadian Auxiliary Air Force some years before the war. They had some auxiliary squadrons, what we called territorial really for some years, and that was the birth of his interest in flying. He is an expert on diet. He therefore, having had this experience with flying before the war, transferred to the air force when the separate branch was established. He is responsible for the training of medical officers, amongst other things, and lectures to them down at the School of Aviation in Medicine. He is responsible for the categories of airmen; that is to say, once he finds out from these medical officers whom he has trained and in the follow-up that we have—once a man starts his training, Tice decides as to whether that man can carry on in his category or whether it must be lowered.

Q. Commodore, have our Canadian universities attempted to include in their curriculums any such training as the air force requires in the medical officers?—A. No.

Q. Would it be a good idea to have the faculties do that?—A. I think they will gradually awaken to that, because I am fairly certain in the light of what we require in this particular war, that they will establish a separate branch of aviation in medicine in the curriculum in all universities; particularly as when this war is over they will still want quite a lot of civilian doctors, who will be dealing with flying personnel, just giving them the right background.

Q. I would take it that it would help you in your work?—A. It would. It would save us a lot of bother if one of us could be attached to the university—and of course the war is preventing that—and lecture to them over a period of three or four months, just to give them an idea of the requirements and more or less the physiology of flying.

Q. Yes?—A. Tice is responsible for maintenance, and he is the channel through which all the reports from the medical officers in the various stations come. Once a man is selected for training he starts his flying, whether it is gunnery or navigation or wireless or piloting. He is now under the observation of the medical officer of his unit. If there is one medical officer there, he does it. But if there is more than one medical officer, one is detailed to that particular duty and spends his time with the pilots and with the trainees, practically the whole day, just watching their progress, watching for the first signs of a breakdown, and keeping a complete record of it, which he forwards to us in Ottawa here so that we can then follow a man on from his initial training to his next training. Incidental to that Tice handles all the reports from the instructors, their assessment of the ability of the man, and he compares them with the medical officer's report. So that if a man succeeds in passing through his training and becomes an operational pilot, we still have a hold on him; we still follow him up in England, through reports from England, so that we know a man's history from the moment he goes into an aircraft up to the time he comes home or until the time he is killed.

Q. Is that a case history system you use?—A. It is a case history, really, a special form on which we enter up every report we get. Suppose there was an

accident. We had an accident the other day where a young pilot was killed. His machine crashed after his third take-off in the morning. They held a court of inquiry to determine the cause of the accident and they find that the cause is obscure. They send that full report of the inquiry to us—that would be to Tice—and ask him to go through the evidence and go through the man's medical history from A to Z, to follow up reports from the medicos and so on to see if he could determine if there was some medical reason for that failure. Very often we are able to help them. This particular boy, he did his first solo—and this is off the record—

—(on resuming.)

By Mr. Picard:

Q. Flying on an empty stomach is just as bad as flying on an overloaded stomach, is it not?—A. Yes. The danger of an overloaded stomach is air sickness which would not incapacitate an experienced pilot. It would incapacitate perhaps an inexperienced pilot, because, from my own experience, when one has air sickness one is completely helpless in most cases. But an experienced pilot does not get air sickness. In his case, with an overloaded stomach, it would simply be a matter of vomiting and then being all right. But with the ordinary air sickness, where you are prone to it, it is incapacitating. The second symptom you would get would probably be pain, because the higher you go the lower the atmospheric pressure, and therefore the gases in your stomach and intestines simply balloon up and cause a certain amount of distress. There is more danger with an empty stomach than with a full stomach; an empty stomach is likely to lead to a dead faint. That is quite possible in the case I mentioned, where the observers of the accident said there was no apparent attempt made to correct the machine at all, because obviously the man was unconscious.

Our duty there is to point out the danger and headquarters would immediately send out their instructions, which are already in existence, that particular care is to be taken that no man goes up without food. But you cannot get over the human failing in these instances; the men may appear at breakfast but they may not eat anything. Personally, I should like to see flying commence at nine o'clock every day; that is the ideal thing. Let the men have breakfast at seven o'clock, and have time to sit down, read, and so on. But that is not possible in a training scheme of this magnitude.

By the Chairman:

Q. I was interested in a remark which was made to me the other day, namely, that the great majority of fliers, particularly in their early flights, have a sense of loneliness which affects them physiologically; that is true?—A. Quite right, yes; there is a certain type of man, even an experienced pilot, a man who has had hundreds of hours of flying, who may be subject to this feeling of loneliness once he gets in the air, particularly when he loses sight of the ground because of clouds. It puts them in a panic. It is not cowardice at all; it is just a panic and they feel they must come down at once. If that pilot had with him in the machine another individual who was not a pilot at all and who in an emergency could not help him in the slightest degree, the whole of that anxiety and panic would pass away. You can imagine, therefore, that a young trainee going up on his first few hours is subject to that sense of loneliness.

By Mr. Picard:

Q. And the fact that he had not had enough food before he went up would account for it in many ways; it would account for some of his uneasiness?—

A. Oh, yes, it would, because his whole metabolism would not be standardized and he would not have that output of adrenalin from the adrenalin glands over the kidneys to keep his blood pressure up.

Now Tice is responsible for that, and, in addition, he is responsible for what we call the cease-training cases. Now, taking the wastage as 25 per cent of the men who are learning to fly in some form or other, air navigation, piloting, and so on, we collect all these men at Trenton, put them into a composite school there, and we have three experienced medical officers seeing everyone of those cease-training cases and their function is to rehabilitate them depending on the causes of their failure.

Most young boys come into the service and want to be pilots; they think there is something glamorous about being a pilot, whereas there is nothing glamorous about it; the pilot, as I said, is the least important man in the machine; he is merely a chauffeur. This pilot is under the dictates of the rest of the crew. The only authority a pilot has, really, is to say whether he considers the weather suitable to go on to the objective or not. He also is the one who says, "My engine is failing or my petrol is low," and he can, as captain of the ship, return to his base under those circumstances. But when he takes the machine off the ground he is told by the navigator where to go. The navigator sets his course; he says, "You will go here; you will go there." The air gunner is the one who orders him to do this or do that and to get a line on the machine that is following or attacking him. The air observer or the bomber—bomb aimer orders the pilot to make three or four runs across the target until he gets a perfect aim and drops his eggs. The pilot, therefore, is really not an important man at all. But the young lads do not see that. The glamorous job, really, is the job of the air gunner, and the exciting job is the job of the man who drops the bombs, seeing he is getting a hit on the target. There is a certain kick out of it, I am told.

By the Chairman:

Q. Air Marshal Bishop's highly deserved reputation was largely based on his gunnery capacity, was it not?—A. Yes; he was a dead shot. Moreover, he started his flying career as an observer, and there is no one more keen in stressing the importance of the air crew than Billy Bishop. He says the pilot these days is a mere nothing.

Q. Incidentally, in a plane, where you suggest the gunner is directing the pilot how to manoeuvre to put him in a position to attack, is there some system of communication?—A. Yes. That is why the oxygen mask, plus the microphone in the oxygen mask to speak to the pilot, is of such importance. Unless you have a perfect unit—oxygen mask and microphone—at altitude, it freezes up, and there is no communication at all.

Q. And there would be no co-ordination between the pilot and the other members of the crew?—A. None at all. So I say we have, I think, now produced an ideal mask and an ideal microphone which will stand up to any conditions. It took several months to do it, and we had to get some very good men on it. But all that is done in connection with the Research Council, and they have the experts, and so on.

But the air gunner has to talk to the pilot and tell him, "There are two or three or more planes on the starboard or port," and so on, and the pilot does the correct manoeuvring.

By Mr. O'Neill:

Q. Do you keep those crews together?—A. Not in training.

Q. No, but after they go to England?—A. Yes. That is part of the reason, I think, for the success that we have had in England with these bombers. The Germans mix their crews up frequently to cover their losses.

They may bring a navigator from one town and a pilot from another and a machine gunner or air gunner from another town; there is no cohesion or camaraderie between them at all; they are just so many bodies there. It is the aim at home once you form an air crew, that is, pilot, navigator, bomb aimer, air gunner and wireless operator—five of them—to have them work as a team.

Q. They become accustomed to each other?—A. They know each other and they become very firm friends too. There is a certain amount of rivalry between them and another crew, and so on, and I think that has gone a long way toward the successful sorties they have made in England.

Another policy is that if you have an air crew from Canada that air crew is to be made up of Canadians. If you have them as far as possible from Australia, you make them into an Australian crew, a composite crew. It is good for morale and sets up a friendly rivalry which you do not get if you are going to have a crew formed at a moment's notice representing so many men from one squadron, and so on. So they are retained as a composite body, as far as possible. That has been the policy ever since the war started, and of course that will be stressed all the more now inasmuch as they are going to send some squadrons across as Canadian squadrons. The crews will be entirely composed of Canadians; they will not be mixed up at all, and they will keep their Canadian identity, which is a very important thing. They will not be merged into the general scheme of things.

With these cease-training cases, for which Tice is responsible, we get them down to Trenton and, as I said, most of the boys want to become pilots but a lot of them cannot become pilots. There is one simple thing which catches quite a lot of them; they can do anything with their hands and they can do anything with their feet in a machine, but set them a problem of using hands and feet together and they cannot do it; they simply cannot co-ordinate their movements. Teach them as you will, you will never get them to overcome their lack of co-ordination. So they must be taken off; they are not safe to send up solo. They are taken off their flying training. All sorts are sent down to Trenton, and we try to rehabilitate them there. We go into their background, not only medically, but educationally, as well as the causes of their failure. Eventually we save quite a big percentage by changing and remustering them into something else. The man who has failed as a pilot may become an expert air gunner. A man who fails as an observer may become an expert pilot. So that at this school of wastage we are saving quite a lot. Tice has got that under his control at headquarters, amongst his other activities.

Then I have a third branch which really deals with medical supplies, and medical statistics. That is a watertight compartment. I can tell by immediate reference to files the number of people, say last May, who were rejected for some particular cause from joining the service.

It is built for purposes of notating the health of the air force which one has to contribute to the general report every year. Without statistics you cannot do that. We can give the causes of rejection by name and by percentages and so on and I have a special man employed on that, a man who had experience in statistical work, a medical man employed in Toronto by the government of Ontario. He was in their statistical department. I managed to beard him from the department and I got him into the service. His branch is responsible for the maintenance of supplies.

Now touching on medical supplies we have introduced any new scheme since the establishment of this branch. The main source of supply is the special medical stores which is controlled by the army. If we want medical equipment or stores of any kind we indent on the Army Central Medical Stores and they supply it to us. That was the same system which existed before the separate branch. If the Air Force wanted any medical equipment

it simply went through the Central Medical Stores and was supplied and the same procedure holds to-day. So that the Air Force has no set-up duplication of supply at all. Further, we have no increase in the number of consultants whom one may approach on big matters. We are using the same consultants as the army uses, Col. Duncan Graham, Cols. Archibald and Rankin, and so on. They are the consultants to the army and they are at our disposal also, so there is no duplication.

By the Chairman:

Q. And there is no suggestion that there should be separate consultants?
—A. No. The suggestion was made from other quarters but I was very much against it firstly because we did not want them and secondly because the men who are the consultants to the army and are available to us are the best men in Canada. They have done very good work for the Air Force and I thought it would be rather an affront to ask them to name consultants for the Air Force when they themselves have already been consultants. We do not intend to do that. These consultants are enlisted in the army and they are commissioned officers, they are holding commissions in the army, and we have their services at any time we want them.

That third branch, Statistics and Stores, is rather a heavy one, and I am afraid the medical officers who are running it are rather overworked. However, they do not complain about it.

My fourth branch is personnel. The man who does the recruiting of medical officers and airmen and who is responsible for their postings and their movements is also responsible for the establishments of the Air Force, every unit. He is the one who is told that we are starting a unit out in Calgary, depending on what it is. Maybe it is an observers' school or an air navigation school or a flying training school. He knows the number of men that compose an air navigation school. He works out his establishment, the requirement of medical officers and airmen, and also the requirement as far as the number of beds for the small local sick quarters are concerned. He is also responsible for the training of the other ranks as opposed to the training of officers. Those are my four departments.

By Mr. Picard:

Q. May I ask you who decides where a man is going to be sent for training? If a man is to become a gunner or a pilot or a navigator is it your No. 2 branch which deals with the categories of airmen or is it No. 4—
—A. Oh, no, we give them a category consistent with their ability to withstand flying. He is known as an A-1 (B) man. He may not be up to the standard for piloting but he may be up to the standard for air gunnery and we give him category.

Q. The medical men would have a lot to do in the selection of that category?—A. Yes.

Q. Just as much as the technical men?—A. Yes. Not only do they decide in the medical category which decides a man's disposal but they also sit in with the technical people and decide whether the man should be so and so or so and so. There is a complete liaison between the technical men and the medical side as far as selection goes.

Q. And that is your No. 2 section?—A. That is Tice, yes.

The CHAIRMAN: May I interrupt. I have an important engagement which I have to keep at half-past twelve. We are not going to finish with this witness to-day. We could carry on under the chairmanship of Mr. Gladstone for a while longer or we can adjourn until to-morrow morning or to-morrow afternoon if there is no particular rush. I am rather interested in this witness' evidence and I should like to be here.

Mr. Sissons: We can suit the Commodore's convenience, I think.

The CHAIRMAN: Now, then, there was one thing which I had in mind. Do you happen to have the departmental chart that would show the set-up?

The WITNESS: I can produce one to-morrow afternoon.

The CHAIRMAN: Could you produce seven of them, sufficient for each member of the committee?

Mr. GLADSTONE: There should be eight—one for the files.

The WITNESS: Yes, I have only roughly referred to what the four subdivisions are in this department, particularly the personnel side. There are many more duties that come under that besides personnel. There is the public health side and the preventive medicine side of the Air Force and such things as blood storage for these emergency cases. That comes under Col. Hunter. I just mentioned personnel in the training of airmen as the main headings of his department, but he has handled many more subdivisions of the medical side.

By the Chairman:

We are sometimes confused as to the comparative ranks in the different services. Would you be kind enough to give us in a typed form the corresponding ranks of the air force, the navy, and the army?—A. Yes.

Q. Could you also give us a statement of the number of personnel, administrative and otherwise, in each of those branches?—A. Yes.

Q. Could you give us the number of Air medical officers per capita in the Air Force as compared with the number of medical officers in the army? I wonder how many men you feel an Air medical officer can look after reasonably.—A. Yes. The difficulty is in the percentage, the special jobs that an Air medical officer has to do as compared with an army medical officer. For instance, as an example the medical officer at, say, Uplands—there are three of them there—they may have to do with what you regard as an army job in the morning, that is the sick parade and go around to the small number of beds they have there; and after that his real day's work starts, the manual maintenance side. It is rather difficult to compare medical officers per capita, but I will do what I can about it.

Mr. Sissons: Is the second item the training of medical officers?

The CHAIRMAN: No, that is the point I have in mind. You mean at Trenton?

Mr. Sissons: No, the second item.

The WITNESS: No, that is Tice. That refers to the training of doctors.

Mr. Sissons: You do not give us anything as to what that training is?

The WITNESS: They are trained for six weeks down at the school of aviation medicine at Toronto.

Mr. Sissons: Could you go into that to-morrow? We want to know what special training they get that a medical officer in the army would not get?

Mr. PICARD: All that has been covered by the information we got on subdivisions one and two of headquarters. I suppose section 2 would deal with the training.

The WITNESS: Yes. What you really want is the curriculum or syllabus of the school down there.

Mr. Sissons: In particular in what respect it differs from the work of medical officers in the army?

The WITNESS: Yes.

The CHAIRMAN: This memorandum deals chiefly with the reasons for the set-up. The committee would like to be informed of the reasons for setting up

a separate air medical service. Would it be possible for you to take this and have eight copies typed for to-morrow so that each member of the committee could have a copy?

The WITNESS: Yes.

Mr. PICARD: Probably we could go to-morrow into the question of the advisability of having a separate medical service in the Air Force. There are three now, are there not?

The WITNESS: There are only two, the army and the navy.

The committee adjourned to meet Thursday, July 17th, at 3 o'clock.

July 17, 1941.

The subcommittee met at 3 o'clock. The Chairman, Mr. R. T. Graham, presided.

Air Commodore R. W. RYAN, recalled.

The CHAIRMAN: Now, gentlemen, I think we have a quorum. Will you proceed.

The WITNESS: Yes. I summarized yesterday quite roughly the duties and the set-up of the headquarters staff of the medical branch. Going on from there we have six commands, four of them, Nos. 1, 2, 3 and 4 are concerned with the Joint Air Training Plan, the Commonwealth Air Training Plan, and two for home defence. That is the Western Air Command and the Eastern Air Command. But the two coastal commands have nothing to do with the Joint Air Training Plan except that they may have units attached to them for training and which come within the scope of one of the Joint Air Training Plan, 1, 2, 3 or 4. In each command of the six commands we have a principal medical officer who is the adviser to the air officer commanding at command on all matters pertaining to health, hygiene, hospitalization and welfare of the men, and under him he has an officer who is skilled in the work of public health. Now, the reason for the necessity for an officer who is skilled in public health and preventive medicine is that the camps of the Canadian Air Force are rather isolated and many miles from a common source of supply of water and the water is extremely—its composition is extremely open to doubt, and we have to have a man constantly in touch with each unit or checking over the water supply which in some cases comes from deep wells, shallow wells, streams or springs, and these supplies of water are liable to contamination and we have to keep a constant watch on their contents, and for that purpose there is a medical officer attached to each command going around and looking after the water supply and other health problems constantly.

Under the principal medical officer in each command you have a medical officer of all the units of that command. There may be 26 units in one command and you would have 26 medical officers or a few more depending upon the size of the unit.

By the Chairman:

Q. The Chief Medical Officer has what rank?—A. Wing Commander.

Q. And what is the other rank?—A. He is a flight lieutenant. We are hoping that we will be able to upgrade his rank to squadron leader for purposes of contact with civilians. A man with a field rank, as it is called, has a far better standing than one who is known as a junior medical officer. In the command you have medical officers in charge of the units and the squadrons of the service flying training schools and they are responsible to the principal medical officer in the command for all medical duties.

By Mr. Harris:

Q. What rank has he?—A. They are flying officers and flight lieutenants. They are at the units.

By the Chairman:

Q. Incidentally, you will notice in this memorandum on the second last page the corresponding rank in the army and navy. I do not know whether you chaps are better informed than I am but I have difficulty in following these air force ranks. I suppose a flight lieutenant is the equivalent of a captain in the army?—A. And a lieutenant in the navy.

Q. A squadron leader would be a major?—A. Yes. The first naval rank corresponding to a flying officer is rather theoretical. I do not know what corresponds. There is no rank really in the navy corresponding to a second lieutenant, but presuming that a cadet immediately becomes a sub-lieutenant upon graduation that would be a corresponding rank. These medical officers in the units are responsible to the principal medical officer for the medical care of the personnel and for this maintenance which we are so emphatic on. In turn those principal medical officers are responsible to me for the work of the commands. That, roughly, is the set-up. It is a simple one. It is headquarters, principal medical officers, medical officers in charge of the units. We have kept it as simple as we could. There is another channel of communication.

(At this point evidence was given in camera)

By Mr. Sissons:

Q. You mentioned that there were 100 medical officers required in Britain; how many of these were you able to supply?—A. None at all.

Q. Was there not some question of difference in pay?—A. Yes. When they called for 100, and the conditions were laid down, they got no response at all. It meant that a man going to England would draw his pay—it would be more or less equivalent to what it was in Canada, but 50 per cent of it was immediately taken away from him for income tax. He would never touch a cent of that. The system with respect to income tax at home is different to what it is here. There it is deducted by the bank every month from your pay to make sure that the country will get the money; because, many men overspend their income and when it comes to checking up at the end of the year the government does not take any chance on your spending any of your income tax. They give you your pay less the monthly income tax. Then, at the end of the year if they have overcharged you it is up to you to make a complaint. If you do not make a complaint they say nothing about it, but if they undercharge you they demand the balance made up and they take it from your total up to the end of the year. These men going to England, therefore, if they were being paid say £50 a month they would get only £25. And then, there is no chance of their sending money back to Canada for their wives or dependents who would be completely without support over here. Well, no man would accept service under those conditions. There is an arrangement now whereby, although still subject to the 50 per cent income tax, they may send a certain proportion of that 50 per cent of their pay, what is left, back to Canada. Well, I got one man in Vancouver a commission in the Royal Air Force as squadron leader. He would not serve in Canada. He wanted to serve overseas. I got him his rank for purposes of doing bone surgery, and he has only been over there two months and I had a cable last week saying that he would like to transfer back to the Canadian Air Force—to transfer to the Canadian Air Force but still be employed by the R.A.F. in England. Well, I could not consent to that; and he stated that he did not realize that the income tax was so high. Well, I personally sent him all that information before he left and he probably just

paid scant attention to it. Even now, although they are allowed to send money back to Canada, they will not go over there and serve for half the pay they are entitled to.

Q. Are you finding difficulty also in getting medical officers for the air service?—A. In Canada?

Q. Yes.—A. Yes, it is extremely difficult to get them. The Canadian Medical Association circularized all the doctors in Canada up to the age of 30 and asked them what they intended to do with regard to service when they had completed their internship in the hospitals, and I think about one-third replied that they were thinking about it, and the other two-thirds expressed complete indifference altogether; so, they have no intention of joining the service.

Q. You want younger men in your service?—A. We do not. We would like to stick to the younger class of men for sending to England and for putting in charge of stations; but we are doing with the older men up to 50 or 55 years of age for certain types of work such as examination at recruiting centres and medical selection boards and so on, where they can do a regular day's work and won't have to go out and be slogging around a camp all day long.

Q. Have you more difficulties getting medical officers than the Army Medical Corps?—A. I don't know. The army is short, I believe, by 250; or, they require 350; but at present there is an added attraction about the army in that they were promised that they would be serving overseas, but I could not promise that to them at all, because we only have three squadrons in England; but now that they are establishing Canadian squadrons in England up to the extent of 25 or 30 I shall want more medical officers to go to England and I will promise them that they will get service overseas. That is an added attraction.

Q. I am told there is the impression that your medical service is not as attractive to medical officers as the army?—A. That is because the chance of overseas service is not as great. Two-thirds of the medical officers want to go overseas, and the other third are indifferent about it really.

By the Chairman:

Q. What medical examination does a doctor joining your staff have to pass?—A. He has to pass the standard which is known as, "fit for passenger flying in aircraft" and "fit for duty in any part of the world".

Q. Is a flying officer pensionable?—A. Oh yes.

Q. Just the same as anybody else?—A. Yes, and if a medical officer is killed while flying his wife and children get the same rate of pension as they would get if he had been killed on active service?

Q. Do you have any trouble in regard to insurance?—A. There is trouble in regard to insurance. Many medical men might go up for a flight for experience—it often happens that after duty hours you get a chance to fly a lot when the instructors may be testing two or three planes for use the next morning, but the medical officer generally is reluctant to assume such responsibility in view of the insurance risk. We are trying to get that fixed on the basis that he would be regarded as flying on duty; because, at the same time he is getting experience. At the moment if a medical officer were killed under these circumstances he would be left without any pension at all.

Q. What is the position in England?—A. If a medical officer goes up in an aircraft at all he is regarded as being on duty.

Q. In regard to insurance?—A. Insurance companies in England within recent years have not raised their premium because a man is joining the air force. They leave it at the rate at which it was as if he were in ordinary civilian occupation; but up until, as I said yesterday, a few years ago, every

time I went up in the air I had to log it in the log book and have it reported to the insurance company who charged me nine pence extra every time I went up for a flight.

Q. Here in Canada your information is that our insurance companies do not cover that risk at all?—A. No, they do not.

Q. Do you think it would be of any assistance if we were to take that matter up with Canadian insurance companies?—A. I certainly think it would be a great help, because it does affect many of these men whom we want to get it to assist us in the service. I can give you an example of that in the case of Professor Bott who has been doing a lot of gratuitous work for the air force in his own time and at the expense of the Toronto university on psychological selection. He has been doing this work now for over 12 months, or 18 months, and he went to England recently to liaise with Professor Bartlett of Cambridge University, to evaluate his work; and if they could have come to some agreement over there then we were going to make it of practical application. Now, Professor Bott could not raise insurance on his trip to England or during his stay. The present policy that he has would not cover that journey or his stay in England and we had to give him a pro forma commission in the Canadian Air Force to cover him in case anything happened so that his wife would be protected, otherwise she would not have collected any insurance. They gave him that commission. He arrived home on Sunday. I think he is on the water now and his commission terminates right away. As the Toronto university were paying his emolument while he was on this work the Air Force was absolved from paying him any daily rate of pay as wing commander, and all he got was his personal expenses, so it was an economic way of doing things. At the same time his wife was covered. If he had been torpedoed or killed by bombs then he would have been considered as on service for the Air Force and his wife would have got a pension but no insurance. It is difficult for most of the companies in Canada to raise insurance on flying risks.

By Mr. Gladstone:

Q. I am not sure whether I followed your figures, but if the rate of pay of a medical officer is the same in Canada as it is in England then the officer will be better off in Canada to the extent of the difference between the income tax assessment in England and the income tax assessment in Canada?—A. Well, the Canadian who goes to England in the Canadian service does not get charged the English rates of income tax, he gets charged the Canadian rates. It is the men who joined the Royal Air Force from Canada who have to pay the English tax.

By the Chairman:

Q. Incidentally, does the rate of pay in our Air Force correspond exactly with the rate of pay on corresponding ranks in the army?—A. Yes, they are just the same.

By Mr. Gladstone:

Q. I suppose you do not happen to have the rates of pay?—A. A lieutenant and a flying officer and a lieutenant in the navy are the same. All medical officers get \$5 a day pay. For the next rank, that is to say, flight lieutenant, captain and lieutenant—lieutenant still holds in the navy because they begin with the rank of lieutenant and they never start at a junior rank—they start off with the rank of lieutenant in the navy which is equivalent to the rank of captain in the army and they get \$5. Now, a flight lieutenant and a captain gets \$7.50, just the same, and they are the same all the way through.

A squadron leader, I think, gets \$9.25 and the major would get \$9.25. I can produce the rates of pay for you if we are meeting again—the comparative rates of pay.

By the Chairman:

Q. Commodore, would there be any equivalent to what is known as flying pay for a medical officer?—A. No, there is no flying pay for a medical officer as such, but if any medical officer in the Canadian Air Force goes from Ottawa to Toronto by air he is entitled to \$2 for that trip, and that is supposed to go towards a premium for insurance which is extra to make up for the risk; but personally we do not get that in England at all. They say that if you are keen on flying and you want to fly it will be your privilege to pay the \$2 and not to receive \$2. So they do not give any flying pay in England at all.

Q. As a matter of fact, in Canada it would not perform the purpose for which it is theoretically suggested it is given?—A. He could not get any insurance.

Q. It is a special remuneration?—A. Yes. I think that really was based on the original flying pay in England. Every officer who flew got flying pay per flight, and in these days when they charge you an extra premium for insurance if you flew that money went to make up, and they may have kept that over in England, as they have based their service more or less on the Royal Air Force.

Q. Could you tell us how much that would amount to in a given period of time?—A. For medical officers flying?

Q. Yes.—A. No, I am afraid I could not.

Q. Who would be able to give us that?—A. The Director of Accounts would have that. I have not interested myself in that flying pay because I never claimed it personally.

Q. It would not come under your jurisdiction?—A. No, I do not believe in it as a matter of fact. It is granted; but personally I do not see the necessity for it. However, I might get my head blown off for saying that.

By Mr. Hansell:

Q. These rates of pay are so much a day; is that continuous, including leave of absence and so forth?—A. Yes, the pay goes on during sickness and on leave. It is worked into the regulations or local orders that an officer is entitled to so much leave a year. In Canada I do not know what it is; I think it is a fortnight; I have not had any yet so I could not tell you. He gets paid during that period.

By the Chairman:

Q. Commodore, I might explain to you, that the committee is greatly interested in the question of the necessity for a separate air medical branch. I notice that your memorandum deals with it. Will you keep in mind that this memorandum does not go on the record?—A. I do not mind if it does go on the record.

Q. I would rather that you give us that so that it will go on the record?—A. Well, it is only recently that we have gone into the question of why they did establish the medical service and I presume that it was for the same reason that they established one in England. Before the war in Canada and after the outbreak of hostilities the medical services for the Air Force were supplied by the Royal Canadian Army Medical Corps and officers of that corps were detailed for duty with the Royal Canadian Air Force. That was perfectly satisfactory in every way in times of peace and for the first

few months of the war because our air force was a very small establishment and the R.C.A.M.C. medical officers found they could cope with the work; but with the sudden expansion owing to this Commonwealth Air Training Plan it was found that for purposes of continuity the Air Force should have its own medical officers. What happened in effect was this: the medical officers were trained to do air force work. Some of them were sent to England; I had some of them under me in London for some time; and they would come back to Canada and be attached to the Air Force and carry on the essential work which the Air Force needed in its particular way. However, they were liable to be posted away or absorbed back into the army and the expense and trouble of training these men was completely wasted. It was decided, therefore, that they should have continuity of service especially in view of the necessity for searching into these problems which were suddenly arising. Now, the second point was this, that when you have an officer of another service attached to either the Air Force or any other service you like there is not the same intimacy or confidence as there would be with officers of the same service, and for purposes of this maintenance in the Air Force which is so essential you must have a spirit of intimacy and confidence in the medical officers which is gained only when they wear the same uniform. It has a psychological aspect really; it does not appear to amount to much; but it is really of vital importance, and no one would deny that if the medical officers who were running our forces or who were responsible for the medical care of the Air Force were under another service, say the army, that it would work out really, but you would have to have the same medical officers permanently attached to that service. Now, in England it was decided when they discovered that this intimacy was lacking with the Royal Army Medical Corps officers, they decided they would establish their own service and call it a branch and not a corps. In the Canadian Air Force and in the Royal Air Force the service is made up of branches. You have your general purpose branch in England which is the flying branch; out in Canada it is called the general list. You have your engineering branch and your medical branch and your equipment branch and your chaplain branch and your accountants branch. Well, we felt that if the medical branch, as we call it in England, were designated by any other name, such a medical corps, a completely independent body, it would negative what they were after, in that they were hoping to get complete intimacy of contact for all personnel of the service. So they called it a branch. They did not see why a medical body should be called a corps when all the other components are called branches. When they established it here I asked them if they still followed the Air Force custom of calling the medical services the medical branch to make it appear an integral part of the service, and they did so. Further than that they followed the R.A.F. in the adoption of their new badge which is small wings and staff, and fell away completely from the Royal Army Medical Corps and the Royal Canadian Medical Corps in that they had an entirely different staff or badge with an entirely different significance. This worked well in the Royal Air Force. They put it on trial for some years and the committee of the three services which met in England decided when the period of probation was up that it would be best to let the Air Force carry on as the army did not feel disposed to cope with the matter. It meant training new men and enlisting new scientists and so on, and it turned out they let us alone. Now, it is so firmly established at home that I do not think there is any question of any fusion again. I think the main reason for the establishment of the branch, as far as I can gather, was for purposes of continuity of medical services.

Q. Tell me this Commodore, to what extent has it caused duplication of administration of staff?—A. It has not caused duplication in any way at all. I cannot think of any way in which it has caused duplication. Firstly, the staff

is the same number as it would be if the two services were fused. The source of supply is exactly the same—that is the central medical stores—the consultants are the same, the dental services are the same, the hospitalization is exactly the same, army hospitalization, the Department of Pensions and National Health and the civic hospitals where they have to use them. All services use the civic hospitals but the charge is taken over by the Department of Pensions and National Health on a value basis. I think the Department of Pensions and National Health reckons that \$3 a day per man in hospital is a fair charge. However, there is no duplication in any way whatsoever.

Q. At headquarters would there be some staff that would be performing the same duties?—A. There are similar duties. For instance, there is the duty of statistics and records which to the Air Force is more important than in most other things for purposes of follow-ups in air trainees. That is essential in the army as well, but if you had, say, a statistical branch in the army in one service coping with both services the extra personnel would still be required to do the work so that there is no duplication. You have one man doing statistics, and I dare say that if we were fused with the army that man would still be employed with them because it would be throwing onto the army an extra load of 67,000 men, a figure which eventually will be 100,000.

Q. We had an example of the naval medical services being fused with the army medical services?—A. Well, our air force was fused also. I think the difference between the naval services and the R.C.A.F. is that the naval service is a very small one, and I think if you established an independent naval service—mind you I am not an authority on this because I am not aware of the local conditions in the country—but it is a small service and I think you would be throwing an extra onus on the public funds if you did establish an independent service. That is my opinion. It is so small. It means setting up an independent organization which probably would not be warranted. I want to be fair to the naval people and I think it would be best to get the information from them; but it is a small service and perhaps the cost would not be warranted for setting up an independent organization for less than 100 medical officers. I do not know how many they have got.

By Mr. Gladstone:

Q. I am sure the committee feels satisfied that much medical research is necessary for this particular type of service. It is quite different from the army service and also that it had better be done as it is being done rather than in close affiliation with the army medical service; but we might think probably that something such as ordinary sickness requiring hospitalization, etc., and X-ray equipment and various other equipment—whether or not they might be duplications of the other services?—A. Well, there are certain units in the air force, certain medical units which have a portable X-ray. Now, those medical units are stationed out in the blue, and if one wanted an X-ray, especially if a man who had crashed in an aircraft—a thing that you want practically immediately—you would first of all, if he were fit to travel over a bad road, have to send him 30 or 40 miles to have that X-ray done and transport him back, unless you could get him into a local hospital. There are cases of injury where it would be fatal to move him under any circumstances until the period of shock was over, unless the man was in an entirely unconscious condition. It would not hurt to take an unconscious man over the roughest of roads because it would not affect him in any way. But what you want in these crashes is an immediate X-ray for purposes of immediate treatment, and you could not obtain that in these isolated units, particularly in the winter time when the roads are completely closed, so we have to be self dependent and self reliant. I worked out the comparative costs the other day of a unit out in Manitoba where the X-ray

bill was \$300 for a month. That included the cost of transportation and so on, orderly's time—another unit has been set up there which will have to have the same X-ray service in that town—so there is \$600 a month to pay. We can buy a portable X-ray for \$2,000, and if you work out that rate you will find that the purchase of a \$2,000 X-ray would pay for itself in the first few months and after that it would be self-supporting. If you did not have that portable X-ray your expenses would still be going on and you would be transporting those fellows 20 or 30 miles, and sometimes it would be impossible to get them from the unit to the town owing to the conditions of the road. That expense would still be going on; but we have no X-ray apparatus except at those units which are isolated and they are very few.

By the Chairman:

Q. Commodore, you have been dealing with the subject of the necessity for the establishment of a separate air medical branch. This was largely summed up in this memorandum which you have given to us?—A. Yes, more or less.

Q. Will you identify the memorandum as that prepared by you?—A. Yes.

Q. That will be put in as an exhibit.

Memorandum entitled Establishment of R.C.A.F. Medical Branch, marked Exhibits 9, 10, 11 and 12.

The WITNESS: I would like to add that I am rather at a disadvantage in trying to explain the establishment of the medical branch here because I was not in on the picture at all at the time and I did not see any of the correspondence or the reasons or the proposals at all.

By the Chairman:

Q. You were brought over afterwards, were you?—A. Not after the decision was made, I was brought over before, because my chief at home was under a misapprehension and so was I. We thought the branch had already been authorized and they asked that I go out and help to organize it. When I arrived here I found it had not been done although it was shortly afterwards. I am really in the dark as to the arguments and discussions that went on leading up to the establishment of the branch, and the memorandum I have put in is based upon conversations I have had and my own impression of it and so on.

Q. It contains your own opinion?—A. I am really at a disadvantage to explain and to justify it. All I know is that it was justified in England and I presume that it was established for the same reasons in this country.

Q. Professionally, based upon your own experience you are of the opinion that it is a wise establishment and set-up?—A. Yes, I think that the work that has been done by these Canadian medical officers out here and the results of that work have justified it, and I personally feel that they would not have got as far as they have got if they had not broken away, for this reason, that the scientific medical men, skilled in research matters and skilled in the art of going into research, would not have joined the army. They definitely stated that they would not. I think the fact that 170 odd out of 180 odd were transferred from one service to the other indicated that they were keen on joining the new service. We have had a lot of trouble in the take-over. It has been a long process, a sort of rather cumbersome method of gazetting and going into their documentation and so on. It has been slow and led to a little grouching on the part of some individuals. What I would fear would be that if there was an idea or if it came to pass that the two services refused again, then these men in the Royal Canadian Air Force would have to be asked to transfer back to the Canadian Army Medical Corps and I do not think they would; and the work that was being done would be stultified and simply stymied. From a personal

point of view, except that I would like to see the service retain its identity, it does not make any difference to me whatever, except that I have the interest of the air force at heart. But from a personal angle, it does not make any difference to me, because I am simply being returned to England after a period and rejoin my parent unit. But looking at it from an independent angle, from a personally disinterested angle, I would be very sorry to see the Canadian Air Force Medical Branch lose its identity, on account of the good work they have done. They are dependent on us in England. I even had cables to-day. They are dependent on us to carry on research for them into certain problems which they themselves cannot do by virtue of the disturbance bombing causes. They have lost one of their valuable research places through bombing, and they are constantly cabling to us and asking us to do research into this problem and that problem and give them an answer as soon as we can.

By the Chairman:

Q. There is close co-ordination with England?—A. Yes. There is close co-operation between England and the States and Canada. Just off the record—

—(on resuming):

By the Chairman:

Q. Would you be kind enough, Commodore, to deal with your method of use of the medical officers, and the use of civilian medical men? Are there any separate air hospitals?—A. We have four hospitals in the air force; one is at St. Thomas, Ontario. That establishment has 150 beds, although we have had as many as 280 people in it. That hospital was taken over as a going concern. It was an asylum handed over by the Ontario government to the Federal government. It was fully equipped to take over, with the exception of specialized instruments which are necessary in the air force, and a certain amount of drug supply and so on. That was taken over as a going concern, and there was no extra cost to the country, as far as establishing the hospital went. That caters for St. Thomas, which is a technical training school. I think that establishment has a quota up to 4,000. And it caters also for the surrounding units like Fingal, Dunnville, Jarvis, St. Catharines; and it will eventually cater for Aylmer and Clareholm. The local hospitals around St. Thomas cannot cater for our cases as they are always full. We had originally intended to establish it as a hospital of 280 beds, seeing the big number there in the winter time but we brought it down to 150. There was the space there to increase it to 280 in an emergency, but I do not think we will want that except with the outbreak of influenza and infectious diseases.

Q. That is the St. Thomas institution?—A. Yes. At Dartmouth we have a hospital for the squadron there at the present moment, a hospital of 60 beds. They take all our cases from Dartmouth and also from Halifax across the river, and they are invariably full. If we overflow, we have to depend on the army hospitals and on D.P. & N.H. hospitals, but we do not use any civil hospitals at either place. The next hospital of 100 beds is in Gander Lake, Newfoundland. That caters for the Canadian Air Force squadron there, for the Americans and for the army. The army had no hospital there. I think they have about 900 men at the moment and we are looking after them entirely. The nearest help, either civil or military hospital, from Gander Lake, is 267 miles; and we have to depend on a train which goes three times a week if we did send anything in. So it is entirely an independent hospital fully equipped for any emergency. The fourth place is down at Trenton which at the present moment has 40 beds and it caters for Trenton airport, which is a very big unit. They have about 3,000 men.

By Mr. Gladstone:

Q. That has 40 beds?—A. Trenton airport.

Q. How many beds did you say?—A. Forty beds—44.

By Mr. Hansell:

Q. You have no hospitals of your own in western Canada?—A. No, we have no hospitals. We have small medical units varying from three beds at a station to 35 beds.

Q. That is right at the station?—A. Depending on the type of station. At an elementary flying training school we have a small three-bedded unit, at the end of the recreation hut. This contains three beds, for crashes; they are not for ordinary sick. They are sent off to the army or D.P. & N.H. hospital. It consists of a medical officer's office for seeing the sick, a dressing room, three beds and ordinary lavatory accommodation and bath. Then at a place say like Dafoe which is isolated and a long distance from Regina, over an unmade road, closed in wintertime, and a big service flying training school, we have to have 35 beds there to cope with the sick, because they cannot be sent anywhere else.

By the Chairman:

Q. What would happen in a school of that kind if a man should be stricken with appendicitis?—A. He would be operated on in that hospital.

Q. Right there?—A. Yes.

Q. You have that equipment?—A. Yes. We have the equipment there. We have the equipment for any emergency work, but we have not got equipment and we do not intend to equip them for operations—what we call operations of selection or choice; that is to say an operation which is not urgent but which would do a man good—say an operation for rupture, a simple thing like an operation for varicose veins and so on. We do not touch those at all, and we have not got the equipment for them. But we equip the medical officer with sufficient staff to do emergency operations if need be. He has his splints and equipment for treating crashes, and he has sufficient surgical instruments for dealing with an immediate abdominal operation. But such things as ear, nose and throat work, tonsillectomies, adenoids, septum of the nose and so on we do not touch at all. Those are things which are not urgent and can wait. We simply arrange to have that man sent in to a service or D.P. & N.H. hospital when it is convenient.

By the Chairman:

Q. Who does the medical work?—A. In the 35-beds?

Q. No.—A. In the town?

Q. In these cases you have referred to?—A. That are sent out?

Q. Yes.—A. It depends where it would be. If there is a D.P. & N.H. hospital or military hospital, he would go there. The army surgeon would do it in the first instance or the D.P. & N.H. specialist would do it in the second. But if there was neither there, we would go to a civil hospital, which makes a contract with the D.P. & N.H. for taking in service cases, I think at \$3 a day.

Q. And on a certain basis of fees?—A. Yes. I think it is a flat rate for most operations of \$75 for a soldier. But that really is a D.P. & N.H. question, and I am not quite sure.

Q. Take tonsillectomies, Commodore. I am not familiar with it, but why would not it be a wise thing for your M.Os. to do that in the unit hospital?—A. Well, firstly there should not be such a thing as a case requiring tonsillectomy in the air force, because one of the things we are very hot on is

that a man must have a perfectly clear ear, nose and throat system before he can fly. One of the big dangers of a large pair of tonsils or a defective septum in the nose is a rupture of the ear drum when flying. They do not get the correct aeration of the ear, and with a sudden change of direction a man may rupture his drum, and in 90 per cent of the cases that is so painful that it puts him out of action. But we have found that we do get infection of the tonsils because men are brought from different parts of Canada to a strange climate. It is a surprising thing that a man from Halifax will be immune to certain bugs in Halifax. He has immunity against that. Send him over to Saskatoon and he is not immune to the bug you get out there, so down he comes with some infection, and vice versa. There is a constant exchange of personnel in the air force, and that is why really, in a manner, the air force is more of a menace as regards spreading disease than the army, because they move around so quickly from training place to training place, that they do spread it; whereas the army, for their period of training, are more or less stationary for long periods. But it is a funny thing that when a man moves around from one part of Canada to another over a large area, he does develop these septic conditions.

Q. Territorial diseases?—A. Yes; and particularly in the case of Australians and New Zealanders. You get them say coming from Queensland where it is very, very hot. They leave Queensland when it is very hot, 120 in the shade; and they arrive in Canada when it is 20 and 40 below zero, which is a very big change, and down they come with these upper respiratory infections, as we call them. They call for operation in due course, because their tonsils get chronically swelled. They are not urgent, so we do not propose to do it. But if you get an enthusiastic medical officer, he will want to yank the tonsils out of every one that comes up on sick parade with that condition. Taht is what we want to avoid.

Q. Take our own committee's work. There are two schools of thought, as you know. One is that we do not make enough use of our army or air doctors?—A. Yes.

Q. And the other is that we should have a degree of co-operation between civil and army or air and civilian that would make greater use of the civilian?—A. Yes.

Q. Your practice is that, outside of emergency operations and the ordinary sick parade, your air medical branch officers do not do any operations at all?—A. No, not at their particular station. But the policy I am running on is that a medical officer will stay at a station for a certain period of time and not indefinitely; then he is moved on to another unit where he has a chance, if he is skilled, to do those other things such as tonsillectomies and so on; so they are not cut off entirely from every branch of their work.

Q. For instance, a tonsillectomy or removal of appendix or something like that may easily be done by an army doctor?—A. Yes.

Q. Or a Department of Pensions and National Health doctor?—A. Yes. For instance, take the elementary flying training school where you have three beds which is, in the case of a crash, already waiting for him, warmed up all day long. That station might have a required operation for appendix. He is on the spot. He is on the edge of the town and he is whipped off in an ambulance and taken into a unit which is established for doing that operation. That was one of the points we had to remember, in not duplicating hospital work. If we had established a surgical unit at an elementary flying training school, it meant duplication of instruments and duplication of the surgeons.

Q. Yes?—A. Well, the minister, Mr. Power, was insistent that there should not be any duplication at all. But that medical officer at the elementary flying training school, in addition to doing his maintenance work, really is one of the most important medical officers in the service as far as maintenance goes, because

he is seeing the men in their initial training. He does not stay there indefinitely. He gets to move on to a big unit where he can do bigger medical work, and maybe goes on to another. They get a turn at every type of work, even down at the medical selection board and clinical investigation. So we try to keep them satisfied.

Q. What nursing system have you in the air force?—A. Apart from the four hospitals I have mentioned, we have nurses at the 35-bedded hospitals and at the 25-bedded hospitals.

Q. Female or male?—A. Female.

Q. Those are what—civilian nurses?—A. They are enlisted into the service. Quite a number of them came over to us from the Royal Canadian Army Medical Corps. I can quote the figures of those we got. It is rather a small service, as a matter of fact. The nursing sisters—I have 66.

Q. What rank would they have, Commodore?—A. There is a general impression, I think, abroad that nursing sisters are commissioned, but they are not commissioned at all. They are given what we call an appointment, and they wear a badge of rank indicating their status as far as courtesies go and pay and allowances and accommodation. So that when a nurse comes into the service, for instance, she wears, in the Canadian Army Medical Corps, two stars indicating that her status is equivalent to that of a lieutenant, but she does not hold a commission. Most people think they are commissioned but no woman can hold a commission at all. Then when she has served a period of six months—she is on probation for the first six months—if her services are not satisfactory and she does not fit into the service routine, she is just retired; but if her report is satisfactory, she is then given a status equivalent to that of captain.

Q. Where do you secure them from?—A. We secure the nurses through the Canadian Nursing Association. They give me their list of every registered nurse in Canada who has the required standing and required training and required certificate. We keep that list in front of us and then by means of a little propaganda we let it be known that we want nursing sisters. Then the trained nurses themselves apply. We do not invite them. They apply. If their names are on that list and we find their references are satisfactory, then we just appoint them in order of application.

Q. What rates of pay do they get?—A. They get \$4.25 a day.

Q. Regardless of this appointment?—A. As they come in in the first instance, and I think they go up to \$4.75.

Q. I see.—A. The senior rank in nursing is kept just below the minimum pay of a medical officer.

Q. That would be corresponding to the matron in civilian life?—A. Yes. We have one—she is called a matron. But we have no matron in charge. I depend entirely on the good offices of Miss Smellie who advises me on selections.

Q. Miss Smellie of the Royal Victorian Order?—A. Yes. She is in Ottawa here; and although she is not called upon to do so, she has been very good. When she goes around visiting her units, she calls in at the air force units where there might be sisters, to check them over and give me a report. That saves my appointing matrons to the various hospitals, which is an added expense. I see them myself as I go around, but it is only a woman of Miss Smellie's experience and standing who can find out trouble amongst the women. She goes around and it keeps the nurses on the top line, and she sends me in a report.

Q. Do these girls have to pass a medical examination?—A. Yes, they all have their chests X-rayed, and they are examined in exactly the same way as the men. There is no difference in the examination at all, except that they are not called upon to go through tests essential for flying training.

(At this point evidence was given in camera)

Q. Tell me, the schedule of fees that your branch would pay civilian doctors for operations on airmen would be the same as that authorized by the D.P.N.H.?—A. Laid down by the D.P.N.H. They would charge for their services and where a man is called in—say a man is on leave and he breaks an arm or is in a motor car accident and he is attended by a local medical man—that local medical man sends his bill into my office and one of my officers who is responsible for treatment reviews the bill and if there is any question he refers to the schedule fees and then he writes back to the doctor and asks him to revise his account. It is then sent back to my office and, the change having been made, it is O.K'd for payment and passed on.

Q. Are the orderlies in your hospitals enlisted men?—A. Yes, the orderlies are.

Q. And all the personnel such as cooks and so on?—A. Yes, in some instances they have civilian cooks but the majority of the medical units in the air force are what they call non-dieted; that is to say, they have no kitchen but the meals are brought over from the main mess, they are wheeled over in a container, and just distributed around the ward. But in a place like Dafoe and Uplands we have enlisted cooks. At Uplands, we have a man there as an aircraft man cooking who was one of the expert men at the Chateau Laurier and also in New York so he serves the men up some wonderful food out of the rations. The food scheme is exactly the same as the rations used by General Gossline; he has established what he calls his hospital diet and we follow that entirely. So that there is no change in the rationing scheme.

Q. And are the medical supplies secured in the same way as for the army medical service?—A. Yes, he approves all my indents.

Q. Do you have dispensaries for your doctors?—A. Yes, yes. In small units of three, ten or fifteen beds, you don't want a dispenser there at all because the medicine is already made up. For instance, the medical stores supply us with bottles of cough syrups and mixtures of that sort. There is no dispensing except in the hospitals and the larger units where you have to dispense special medicines.

Q. Does your branch have anything to do with the audit and checking of these supplies?—A. The stores here keep a copy of all indents. The units that ask for drugs and supplies get the copies of the indents. Well then, at the end of each month the N.C.O. in charge of each unit writes off what he has used and then for the next month carries over what he has on hand. By writing off what he has spent he sees what the requirements of his supplies are; and in forwarding his indent up to us he has got to show what he holds in stock, and his new demands; so that one can see whether it is excessive or not.

Q. And there are the ordinary governmental checks?—A. Yes. Central medical stores deal with the financial side entirely. The stuff that we use is charged to them and they by a process of cross-accounting charge the air force with what we use. We do not enter into the financing of equipment at all. That is a matter between the central medical stores and the accounting branch of the air force.

Q. Incidentally this might not come directly under your jurisdiction, but this committee has to take an interest in the messing of the troops, and we noticed that in a substantial portion of the army the so-called orderly system of messing has been adopted; that is, where small groups sit around a table and are served at a table rather than follow the cafeteria method. And we are also informed not officially but unofficially, that the air force has not adopted that and that they are using the cafeteria method. We were much impressed as a committee with the advantages of the orderly messing system to the men, on their temperaments, their peace and happiness of mind; could you tell us why the air force does not follow the same system?—A. No, I could not tell you that at all. I imagine it means an extra number of men on the staff to do that work.

Q. If that contributed to the good morale and satisfaction of your airmen it would be more or less under your jurisdiction?—A. One might recommend it, he would have no jurisdiction over whether they accepted it or not.

Q. You have not happened to examine into that?—A. I have been around to all these units and inspected the messing, the kitchens and the dining halls at meal times, but I have seen them all coming up to the hatchway to get their own meals.

Q. In the cafeteria method?—A. Yes, I have never had any complaint about that.

Mr. PICARD: I may say, Mr. Chairman, that when we gave judgment on that point we had not yet had an opportunity of visiting any places where the cafeteria system was in operation. Having read the report over again since then I take leave to suggest that we might avail ourselves of an early opportunity of visiting a unit at which the cafeteria system is in operation. Since our report was prepared I have had occasion to read a great deal about the American army system and I believe they follow the cafeteria system. I think it would be a good thing for us to visit the other type before we definitely come to a conclusion that one is better than the other. I have read a lot about the American army system. I do not know whether they are right or whether we are right in our report.

The CHAIRMAN: Yes, I think you are right. I think the veterans on the committee had in mind our own experience with the old cafeteria system and much prefer the comfort of the other.

Mr. PICARD: Maybe so.

By Mr. Gladstone:

Q. What would happen to a man who might be taken with pneumonia while in hospital?—A. He is taken right away to the military or D.P.N.H. hospital.

Q. What if there is a request for his own physician to see him, can that be done?—A. Yes, it very often happens that when you inform the parents that a son or brother or relative is ill that they write in and say that they would like Dr. so-and-so to see him, and Dr. so-and-so does see him. He has full access to him, but the charge for that visit is not accepted by the services at all, that is a matter for arrangement between the people and the doctor.

By Mr. Hansell:

Q. Could you give us any information as to what you are doing for the prevention of disease?—A. Yes.

Q. Is there anything you do when a man is applying for admission to the forces?—A. Well, in the first instance the man is examined at the recruiting centre and when he is accepted he is then sent to a depot. We have at the moment two depots, two big depots; there is one at Toronto at an exhibition building there and there is one at Brandon—they are big depots. We have others smaller in type—say at Quebec, and we have another one at Edmonton and another one not yet established at a site not yet decided upon. In the time spent at the depot the recruit is outfitted with his uniform and he is inoculated against the enteric fevers—against smallpox, he is also inoculated, he gets a series of inoculations against diphtheria, and scarlet fever. You will perhaps recall that we had a big outbreak of scarlet fever down in Toronto this past winter.

Mr. PICARD: Is that confidential?

The WITNESS: Oh no, it is well known, I think.

Well, we had over 300 cases altogether; and eventually it cost us a certain amount of money, that outbreak, because the building at the Manning pool was

not suited to the checking up of contacts. For instance, you had 1,500 men sleeping on one floor and it was impossible to keep track of contacts. Then we got that checked down and the next thing that happened was that they got a case of diphtheria down at St. Thomas and we immediately sent one of our expert medical officers down to St. Thomas and he swabbed everyone of the 3,000 or 4,000 men down there and to our surprise and the surprise of the provincial authorities 50 per cent were shown to be definitely susceptible to diphtheria; and we also had over a hundred virulent carriers. We immediately inoculated the whole technical training school there against diphtheria. We did not want to be caught again so we established this routine. We had to put it up to the minister for his approval to get this campaign going against the coming fall to inoculate to immunize every man against tetanus, typhoid, smallpox, diphtheria, scarlet fever; and the whole process takes about six weeks.

By the Chairman:

Q. Those are the men already enlisted?—A. Yes, already in the service.

Q. And in addition to that the new recruits?—A. Oh yes, everybody will be done including civilians. If we have civilian workers at a camp we are going to persuade them to go through it for their own sake and for the sake of their families and for the sake of the service. If they do not go through with it they won't be employed. The only people we will not be able to force to undergo the routine is the skilled workers, and if they object we will simply have to take a chance on them. Naturally the whole service will be protected and they will themselves be the only ones to suffer from any refusal on their part to accept the treatment; and it means that the civilian skilled workers would not be protected while everybody else will be, so we are not likely to lose very much by it.

Q. Have you any information as to the advisability of having the Wassermann test done for each recruit?—A. That question has always been discussed everywhere. I am against it. The only time that we do a Wassermann on the intakes is in the case of a man where he gives a history of having had gonorrhoea; because very often the mixed infection is picked up and passes unnoticed.

(At this point evidence was given in camera.)

But we do not think it is justified in every case, because with the age group that we are getting for flying if a man has either by heredity or acquired a syphilitic lesion the period of time he would spend in the service is so short—four or five years—it would be far too short for any serious conditions to arise as a result of that syphilis.

Q. May it not become a pensionable liability later on; a liability on the province as a mental case?—A. Yes—well now, there is a way of looking at that, it seems to me that with the system of pensions in this country that any man who gets syphilis and deteriorates in health or is found to be a positive on discharge from service he puts a claim in and gets a pension.

Q. I was just wondering, looking at it from the standpoint of national health, if we would not be performing a real service if we could detect and cure cases of incipient syphilis?—A. Well, that would mean that you would want a Wassermann done on every man coming into the service?

Q. Would it be very costly?—A. I think it would, yes. Well, it means an added expense to the country—I am not quite sure that you would not be able to do it for a good deal less than is usually charged in civil institutions. But it would be expensive, for this reason, up comes a recruit to a recruiting centre and he wants to join the air force; you say, all right, we will get a Wassermann on him. He comes a long distance to that recruiting centre—he may have come from a farm 250 miles away, and he doesn't know anybody

in the town and he has no place to stay. As you know, it takes from 7 to 10 days before the results of a Wassermann are known, and if that man is not paid he goes back to his farm or work; to his home, and he is lost to the service. That is going to happen in every case. If you have 2,000 recruits coming into the service monthly that means 2,000 Wassermann tests and 7 multiplied by 2,000 days' pay hanging on to the man so he won't disappear and be lost to the army.

Q. It is a curable disease?—A. Yes, it is. You are thinking in the terms of preventive medicine.

Q. Yes?—A. Well, I would say this also; we had 1,000 tested down in Toronto and out of that whole 1,000 we only had one positive Wassermann reaction.

(Discussion proceeds off the record.)

By Mr. Picard:

Q. What do you think would be the actual cost of the Wassermann test itself, without taking into consideration the seven day period?—A. You would have to come to a definite contract for that; I think you might arrange to have a Wassermann done for around \$2.

Q. In the Canadian penitentiary system we made arrangements in most cities where there are large hospitals—that was when I was with the Department of Justice—to have that done at a very nominal fee—I think it was \$5 for three tests.—A. Where you have a positive reaction you really should have a second test made in order to make sure that the first one is right. And another thing that should be borne in mind is that you have a D.P.N.H. hospital representative in every large centre. If you went to the civilian people they would probably charge you very high. I think the value of an X-ray to the country here is around \$1 or at the most \$2. You take, if you go to a civilian hospital, you would have to pay them—they charge \$10 for an X-ray of one finger.

Q. We have a penitentiary located near Montreal and we made an arrangement there with a civilian hospital in the city of Montreal to do a test at a cost of \$5 for one test; and ranging up to \$10 for three tests.—A. If one could arrange it through the government service like the D.P.N.H. the cost would be inconsiderable.

Q. The cost would be less?—A. One would have to think of that in working any scheme out.

The CHAIRMAN: I just wanted to get your views on it.

The WITNESS: From the preventive medicine point of view it is an excellent idea.

The CHAIRMAN: I have a number of statements here which I will ask the witness to be good enough to identify for the purposes of our record.

Exhibit 10 is a statement of the establishment of your medical branch.

Exhibit 11 is a statement of the set-up of your medical organization at headquarters.

The WITNESS: There are perhaps two names which possibly should not be on that list. One is that of Flight Lieutenant Armstrong who is about to be transferred or posted to another unit and I am removing him from my staff and I am not replacing him because I have cut down some of the work that he had to do and I am putting the rest of the work that he would have been doing onto another officer as part of his duties. Now, that is junior officer. The senior one there, is seconded to the air force from the army and the explanation is that he was the senior Royal Canadian Army Medical Corps officer doing work with the air force before it was established as a separate branch, and he has

been doing establishment of officers and personnel. Well, now that that work has more or less reached its peak and we know our requirements, and there is not much more work to be done on it, and as an economy he could be returned to the army where he could carry on some more useful work.

By the Chairman:

Q. The two officers you are referring to are the two officers which are marked with a red (X) on exhibit 11?—A. Yes. That means in effect that that establishment you see there has been cut down by a senior officer and a junior officer, or it would be so cut if the recommendation is carried out. I am putting it up to you. If you want economy that is one way of getting it.

Q. Now, the next page is "Summary of Lectures at the School of Aviation Medicine."—A. Yes.

By Mr. Sissons:

Q. Where is that school?—A. It is at Toronto. It is held at Manning Pool at the exhibition building, and we held it there for two purposes, one is economy in that we have to go there in any case to be outfitted and drilled, ordinary drill and ordinary discipline; and secondly, we make them live in a mess for two reasons, first, that it saves the country \$1.70 a day living out allowance and secondly that it gets the men accustomed to mess life and the routine of what goes on.

Q. What staff do you have, do you have the use of the staff of Toronto university?—A. Yes, I have one officer running the school. He is shown on that establishment, Flight Lieutenant Nash, in division 3. He is down there in charge of it. The lecturers consist of myself and Tice and Hall and Professor Bott and Dr. Green who is a member of the National Research Council. Then I got a legal officer to give us legal lectures and pilots to give us a line on the instruction methods and so on. They are all service people, except Professor Bott and Dr. Green. We ourselves do all the lecturing and we run it ourselves.

Q. How long is the course?—A. Six weeks.

Q. And must all the medical officers go through there?—A. Yes.

By the Chairman:

Q. Commodore, would you tell the committee your address?—A. No. 3 Temporary Building, Wellington Street; telephone local 3659.

By Mr. Picard:

Q. Yesterday when Commodore Ryan was before us a few questions came to my mind but I did not have time to ask them, and I should like to ask them now. If I understand well, Commodore, I gather from what you said in dealing with Division 1 in your headquarters research and according also to the memorandum which you have given us to-day, you consider that these problems you mentioned are such as to demand for the Air Force specially trained medical officers with experience gained either by long work with the Air Force under different circumstances or at least officers trained extensively by other people who have had such practical experience?—A. Yes.

Q. You positively are of that opinion?—A. Yes, the average medical officer learns a certain amount of physiology as a student for the purpose of passing his examinations really and after that it is entirely forgotten, so you must have a man who has kept in touch with his physiology. That is one example. He should work with it permanently. Take Hall, for instance, he took up physiology in the beginning of his course and he has kept at it ever since, and he was assistant to Sir Frederick Banting in the Banting Institute. Tice has kept up his association with the air force on the auxiliary side and also he is a dietetic expert and he has kept that up all his life. That is his hobby and his specialty.

Q. Are you decidedly of the opinion that the average medical officer would not render adequate service to the air force unless he could acquaint himself through highly specialized training with the special problems which are exclusively flying problems?—A. He has got to have a knowledge even in the practical stages of going up in an aircraft before he can begin to talk on the problems at all. A further point is this, that in this school where we lecture we stress the practical side. For instance, I lecture on the visual requirements of flying, requirements such as the ordinary medical man knows nothing about at all. They do not come within his province so there is no reason why he should know anything about them; but I lecture about them. Firstly, I give them the theory of it in an elementary way and then I confine myself entirely as to the practical side as to how to carry out tests and how to interpret them. The whole thing is practical.

Q. The practical inference of your statement is that you consider it an absolute necessity for the air force to have a special medical branch distinct from the army?—A. Yes, I am convinced of that. I am almost emphatic about it if it is necessary.

Q. Are you of the opinion that any excessive expense or expense no matter how small it may be resulting from a separate medical service is absolutely necessary for the protection of the airmen and the proper functioning of the air training scheme?—A. Yes.

Q. You are?—A. Yes; and incidental to that I do not think—I cannot think of any extra expense that has been added, because the money that we spend on necessary equipment is a government grant to the National Research Council. If we want money to probe a certain problem we go to the National Research Council as we are members of it and they give us the grant. In addition to that, there is a grant from the government to the air force itself for the development of technical problems. That is the flying establishment at Rockcliffe aerodrome. It is used for the practical application of the result we find from our research. Now, these are two fixed sums for each fiscal year and there is no extra expense above that at all. It does not matter which way you run the air force you still require the same number of personnel and the same number of beds to put the men in. Whether you have it under one service or two you will not increase the cost in any way.

Q. I wanted to ask you those questions to clear the matter in my mind as to the position you take.

By Mr. Gladstone:

Q. What approximate percentage of disability or illness experienced among airmen is due to their particular type of service that they probably would not have if they were in the army or in civil life?—A. That I could tell you only through rejections for service in the air force and the causes of rejection. I have that here, I think. I think we are safe in saying that 80 per cent of the men who come up for examination for flying duties for the air force or for any trade—there are four or five, gunners or fliers—80 per cent pass that examination and of the 20 per cent who fail to qualify for flying or for the air force, probably 15 per cent would be fit for army or navy service. The reason they are rejected is purely because they fail in possessing a few extra assets which are required for flying, a particular form of muscle balance in the eyes required for landing. Perfect co-ordination is required in both eyes for landing, and quite a number of people have not got that. That does not affect them in ordinary civilian avocations. One does not realize that one has a lack of balance of the eyes at all. Sometimes people look with one eye more than they do with the other. Some men look at their writing with one eye, what we call a one-eyed man. He could never land an aircraft at all because his other eye comes into the picture

and has been neglected, and it upsets his balance and he is focusing on two different points as he is coming in to land, and unless he can focus on one particular point he cannot land at all and he either flattens out too late and dives into the ground or too soon and drops down in a pancake. That is one asset a man must have. That is not needed at all in a service like the army or the navy. A man may be required to shoot as a sharpshooter and he uses the muscles of one eye, and you will find that he may have a lack of muscle balance, but he has a master eye and he always uses it and neglects the other. These men who are turned down for lack of muscle balance in the eyes are acceptable to the army or the navy because they do not need that balance for ordinary distance vision. Secondly, the man we turn down for a particular kind of blood pressure, knowing that he could not stand up under this abnormal movement in the air could get into the other services. It does not matter two cents in the other services. His blood pressure is acceptable and so he goes through a general examination. Fifteen per cent of our rejections are acceptable to the army or the navy.

Q. After he is accepted in the air force I suppose the same percentage would still hold as to illness and disability—a very large percentage would be attributable to his kind of service?—A. Well, I cannot think of any condition which might arise out of flying which would cause a man to be hospitalized, except perhaps a ruptured eardrum. There is nothing in flying at all that causes deterioration in health; nothing at all; and any man who is taken off flying because he has developed some condition which requires treatment and perhaps is discharged from the service should not be considered for one moment for pension at all, because once you take him out of the air he is back under normal conditions. Flying does not cause any illness really as such, in fact it does many people good. The only debatable point is whether you keep a flying man on operational flying too long with the result that he may develop a state of anxiety, of apprehension. If one is kept at it continuously one does. And that is why we have adopted the policy in the Canadian air force of taking them off from operational flying at regular intervals and giving them a rest from that kind of flying.

(At this point evidence was given in camera)

Mr. Sissons: Mr. Chairman, the witness said a moment ago that he would have a statement to give us covering rejections.

The WITNESS: Yes; well, I think I have something here. There is one interesting figure here on casualties, the fatal casualties for the R.C.A.F. in England from September were 13 officers killed in what we call flying accidents; there were 3 killed in flying combat; and 2 killed in air operations. There were none killed in air raids, for the month of September. Well, now, it might be asked why there were only 3 killed in actual flying combat and 13 killed in flying accidents; but these men are all trained and skilled. I think the answer to that is—these were the figures from September, 1939—the thing was that in those days they were keeping them on flying operations and on combat far too long, and it was left to the individual to say when he had had enough and when he would like a rest. Well, very few of the fellows would apply to be taken off because they were always afraid that people would think they were quitters. Those fellows just kept on flying until the very last minute. Then they were taken off and put onto ordinary flying, perhaps on instruction or further training; and at the time they go back to their ordinary flying they had reached such a stage of fatigue that it made for lack of concentration—I am pretty certain that is what it was—until in ordinary flying with this lack of concentration they would come in for a landing with their wheels up; they might try landing down wind or cross wind, and so on—they were suffering from mental aberration caused by fatigue.

Q. My main purpose in asking for these figures was to indicate that your service is taking into account such matters as that in connection with the operation of the Royal Canadian Air Force working in conjunction with commands—these men having reached that stage of fatigue should not be flying further.—A. Well, they should be taken off flying. They are either put on ordinary flying, which is not risky at all, or ought not to be, or sent off for a week or two to a convalescent home—it is perhaps wrong to call them convalescents because they are not actually sick, they are tired. They are called convalescent homes but they have complete freedom of movement and are all back in quiet areas where they are free from bombing. They come back 100 per cent cured and keen to get back flying again.

Q. I was just wondering if the witness had any other statement before him there which he would like to place on the record?

The CHAIRMAN: I was just going to ask him that very thing. Commodore Ryan, have you any further information to give the committee which you think would be pertinent to our inquiry?

The WITNESS: I think I have something here about peptic ulcers. I think you told me there have been a certain number of army men invalided back from England with peptic ulcers?

The CHAIRMAN: Yes.

The WITNESS: Up to the 31st of May, 1941, we had one peptic ulcer; one man who developed lesions and one who became a neurotic—three altogether.

The CHAIRMAN: That indicates that the percentage of peptic ulcers in your case is rather small?

The WITNESS: Well, up to May 31, since the time the Canadian air force was formed and went across to England, we had just one. The reason for that is that the man denied that he ever had one. When we take them in we check that very closely and it is on his form which he is required to sign. We are very careful about rejecting anyone who reports having a peptic ulcer for the reason that it just means misery to a flying man. When he gets up into the air there is likely to be a rupture of the intestines on account of the distention caused by the rarified atmosphere of high altitudes. In some cases men come into the service who tell us they did not know they ever had it and claim that they developed it later.

The CHAIRMAN: Is there anything else you would like to place on the record?

The WITNESS: I have here another exhibit or two containing figures which you might like to have; one relates to the strength of commands; and one relates to the discharges and retirements from September to May and the conditions, the reasons why the rejections were made for air crews, and the reasons for rejections of ground crews; and some figures relating to a few items connected with flying activities that might be useful to you.

The CHAIRMAN: Might we have that?

The WITNESS: Yes.

By Mr. O'Neill:

Q. Your doctors do not treat many men for accidents, do they?—A. They are treated by the air force in every original instance. Every accident patient is brought into the station unit and treated by the doctor in attendance.

Q. I imagine that in the great majority of cases where crashes occur the victims are better subjects for the undertaker than the doctor, unfortunately?—A. Yes, and quite a few of them that occur off the aerodrome, and they are taken to the local hospital—it may be a service hospital or civilian hospital—we take them to the nearest one.

Q. Did I understand you to say there were 20 per cent rejected and that out of that number 15 out of 20 would be acceptable to other branches of the service?—A. Yes.

The CHAIRMAN: We will have these entered as exhibits.

Exhibit 13—Table No. 1, statement of strength by commands of air forces in Canada as of July 7, 1941.

Exhibit 14—Table No. 2, statement of discharges.

Exhibit 15—Table No. 3, a statement of permanent rejections and the reasons therefor; and the individual numbers in each case. I might add that one section deals with air crews and the other deals with ground crews.

Exhibit 16—Table No. 4, a statement of the total casualties overseas from September of 1939 to May of 1941 broken down into types of accident.

The WITNESS: I can supply you with copies of those tables if you so desire.

Mr. HANSELL: We would be very glad to have them.

The WITNESS: I will see that that is done. I will supply you with eight copies, or more if you wish.

The CHAIRMAN: May I assure you, Commodore Ryan, that the committee is very grateful to you for the very able and efficient manner in which you have presented your evidence. I am sure we all appreciate very much your kindness in appearing here and the evidence you have been able to place before us I am sure will be of very great value to us. Thank you.

The WITNESS: Thank you, Mr. Chairman.

The committee adjourned at 5.05 o'clock this day to meet again at the call of the chair.

The Subcommittee met at 3 o'clock. The Chairman, Mr. R. H. Graham, presided.

The CHAIRMAN: Gentlemen, we will call the meeting to order. The witness to-day is Dr. Ross Millar of the Department of Pensions and National Health. I think, possibly, it would be wise, doctor, to lay the foundation of your submission.

Dr. ROSS MILLAR, called.

By the Chairman:

Q. Doctor, how long have you been with the Department of Pensions and National Health?—A. Since 1928, thirteen years.

Q. Prior to that where were you doctor?—A. Prior to that I was in surgical practice in Nova Scotia; also I served four years overseas in the first war as a surgical specialist with the British forces.

Q. And what is your present position in the department?—A. I am director of medical services.

Q. How long have you held that position?—A. Thirteen years.

Q. You have held that position during the whole period of your service?—A. Yes.

By Mr. Picard:

Q. Of what university are you a graduate?—A. I am a graduate of Dalhousie University, Halifax, post graduate in London.

Mr. GLADSTONE: Mr. Chairman, I think, perhaps, it might be well to have some understanding as to the giving of the evidence to-day. I understand that there may be some things that we will wish not to have published, and inasmuch as the newspaper reporter is here—I know he has been exceedingly careful with us—I was just wondering what rule you would lay down.

The CHAIRMAN: I think in the circumstances the wisest procedure to follow is that we sit in open session while the doctor makes his formal submission and when the committee desires to question the doctor on matters arising out of the submission we can decide then.

Mr. HARRIS: At that time we will decide what we will do. We do not want any dictation from the chair as to what we will do later, otherwise, all this evidence we are going to hear now may not be of any use.

By Mr. Gladstone:

Q. The doctor understands that there is a newspaper reporter present, and if he wishes to have any statement confidential it will be marked in camera?—A. I do not think there is anything in this brief which is at all private; anyone can dig this stuff up.

By Mr. Picard:

Q. What rank did you hold in the last war?—A. Major with the British army. I was with the British army entirely although I am a Canadian. I could not get over soon enough so I went over and joined the British. I shall proceed:—

1. The functions of the Medical Treatment branch of the Department of Pensions and National Health prior to the present war, had to do primarily with the arrangements for furnishing such treatment as was necessary for ex-soldiers of the first war, and also for certain other wards of the federal government such as sick mariners, under the Canada Shipping Act, R.C.M.P. personnel, and certain other medical work for other federal departments.

I should put in there, perhaps, that the Department of Pensions and National Health was only set up as such in 1928. Prior to that there were two departments: the Department of Health and the Department of Soldiers Civil Re-establishment. They were amalgamated in 1928 under the Hon. Dr. King.

2. The National Defence had a few small station hospitals at which for the most part minor work only was attempted for the peace-time permanent force, and a few such soldiers were occasionally sent to the pensions hospitals for more extensive examination and treatment than might be covered by the facilities of the station hospital.

The permanent force in peace-time was, of course, quite small.

3. On the outbreak of the present war mutually satisfactory arrangements were entered into between the medical services of the Department of Defence and those of the Department of Pensions, whereby working agreements were arranged according to the peculiar situation in different localities throughout Canada, in order to avoid duplication of institutions or facilities for medical treatment of the new army.

Mr. HARRIS: When they say the Department of Defence, does that include the navy?

The WITNESS: That includes all the forces.

Mr. HARRIS: The air force as well?

The WITNESS: Yes, sir, the army, navy and air force.

It was decided that wherever there was a sufficient concentration of troops, camp hospitals and convalescent hospitals should be set up by the National

Defence, where short or minor cases could be attended by the National Defence medical officers, and more serious cases of probable longer duration should be transferred to pensions hospitals.

We use the words "pensions hospitals"; it would be better to say transferred to pensions control, because besides pensions hospitals we also use largely contract civilian hospitals.

In other localities where there were already no pensions hospitals operating, the National Defence arranged to set up hospitals which would be able to do more extensive work than the camp hospitals could carry out. The details of such activities could be obtained from the National Defence Medical Services.

4. The Department of Pensions in September, 1939, was operating eight hospitals in the following places: Halifax, Saint John, Ste. Annes (Montreal), Toronto, London, Winnipeg, Calgary, and Vancouver.

5. The activities of these hospitals before the outbreak of the present war, were beginning to show considerable decrease because of the deaths of pensioners of the first Great War, and other causes, and many of the buildings which from 1919 were a part of the hospital service, had either been closed or used for other purposes.

For instance, we had given one building in Halifax over to the ordnance, the old nurses' home, and we had closed several buildings in Toronto; others we had turned into storehouses for vetercraft work and so on. We had even pulled down a couple of annexes of a temporary nature.

6. The Pensions Department had already made plans in case of war to recondition such buildings, and build annexes to existing departmental hospitals, which could be serviced from the main hospital at a moderate cost.

We did that in the year after the Munich affair because of confidential advices that sooner or later there was going to be a conflict, so that we had those plans all laid out and ready if and when the emergency should arise. It also had had plans for the building of an entirely new hospital in Vancouver to replace the unsafe wooden building.

7. The quarantine section of the health branch of the department had a hospital at Rockhead in Halifax and another at Savard Park in Quebec City, both of which were put at the disposal of the pensions treatment branch, subject to the needs of the quarantine services. And there was another very large barracks affair at Williamhead in Vancouver Island. These were relics of the time when immigration was very heavy and we had to provide for the quarantine of a whole shipload of smallpox suspects at a time. Immigration gradually fell off. These hospitals were maintained at their full efficiency ready for an emergency and so when the war broke out the pensions branch of the department was given the use of these three places, subject, of course, to any quarantine requirements. But there have been no quarantine requirements arise which demanded their services so we have used them and are using them continuously, particularly the one in Halifax and the one in Quebec. In the one at Halifax we run as high as 150 patients, mostly infectious diseases, scarlet fever and smallpox and so on. Down at Savard Park we run 60 to 80 cases of ordinary diseases. In Quebec City, for instance, we had no regular treatment hospital, the National Defence Department had no regular treatment hospital so we have contracts with civilian hospitals and we use those civilian hospitals for that purpose. The Department of Defence has a small camp hospital for looking after trivial cases. The long continued heavier cases go into the contract hospitals.

By Mr. Picard:

Q. Was not there a military hospital at Quebec Citadel?—A. That is what they call the camp hospital. That is developed in every military district in

Canada. It is the most economical way of doing these things. The cases they take in there are boils or influenza or some small disease or some slight accident, a cut of some kind or other which is a trivial matter. They can look after it without any special apparatus such as X-ray or anything like that. That is not necessary, and they can discharge them quickly back to duty. That principle is followed in every district in Canada. I am referring now to the system of camp hospitals. These are cheap hospitals. They are huts, constructed of frame construction with three-ply roofing and the sides are generally finished in asbestos shingles. They are what you might call semi-fireproof but they are only one storey and there would be no question of a disaster from fire.

Q. The military hospital in Quebec was of a more permanent nature, was it not? I am referring now to the one behind the Citadel.—A. The one behind the Citadel is slightly more.

Q. The reason I am asking that question is that some of the members have expressed at one time or another, when the question of the new building in Quebec was up for consideration, some doubt as to its use. As I am from Quebec I wanted to point out it was a necessity.—A. Yes, but even that hospital in Quebec, which is of a slightly more permanent nature than the others, did not cost, I believe, more than \$700 or \$800 a bed, whereas—

By Mr. Harris:

Q. Just a moment. Do I understand the witness to say \$700 or \$800 a bed?—A. Somewhere along there. The Department of Defence would have to look into that.

Q. Let us get this clear, Mr. Chairman. As I understand it the witness here is from the Department of Pensions and National Health. The evidence we are getting now has to do with the hospitals that come under the Department of National Defence. Is that right?—A. Yes.

Q. Is the evidence you are giving now from the Department of Defence?—A. Oh, no, but I have of necessity—

Q. The deposition you are giving now that the cost was \$800 per bed has to do with the Department of Defence?—A. Quite. That has already been given to you.

Q. Are you giving it? Are we getting it again now?

Mr. PICARD: There is a relationship between the two. The witness is explaining to us how the two systems work.

Mr. HARRIS: I want to know whether the witness is giving evidence on behalf of the National Defence Department or whether he is giving evidence on behalf of the Department of Pensions and National Health. I want to know whether he is giving evidence for all the services. Let us get that clear.

The WITNESS: I am only giving evidence on behalf of the Department of Pensions and National Health. The four ministers, Mr. Mackenzie, Mr. Power, Mr. Ralston and Mr. Macdonald set up an interdepartmental hospital expense committee on the building of hospitals, the places where they should be built, and the approximate cost. That committee consists of the Director of Medical Services of each one of the branches, and I am a member of that committee, and that is the only way that I know of the cost in the Defence Department. I speak subject to correction as far as their cost is concerned, but it is necessary to a certain extent in explaining our position to explain the arrangement, the interdepartmental committee arrangement. I would rather not say anything about cost of theirs, though. Is that sufficient? With these renovations and additions the Treatment branch now has 6,653 beds available in Canada, with further additions of 450 which have been authorized, and which are in process of construction. These beds are distributed throughout Canada according to the attached Appendix (a). That is our extreme capacity.

By the Chairman:

Q. Six thousand, six hundred and fifty-three beds?—A. Six thousand, six hundred and fifty-three beds, with a further addition of 450 beds which have been authorized by the Treasury Board, and which are in process of construction.

Is it necessary for me to read all these figures in the appendix?

Q. No.—A. I think you each have a copy.

By Mr. O'Neill:

Q. The normal capacity is 450 beds, but on this appendix which I have here it looks to me as though the emergency capacity is 900. Are those figures correct?—A. Yes. The reason for that is that two weeks ago last Monday we opened our new hospital at Vancouver. It was planned before the war. It has been planned for the last ten years. Its capacity is 250 beds. Instead of pulling down the old buildings, as we had planned before the war broke out, we have kept all the old buildings and we are renovating them and keeping them for convalescents and emergent cases, so that the total we could accommodate if a calamity should occur on the Pacific coast would be 900 cases in our old buildings and our new buildings. That is the reason for the discrepancy.

Q. There was such a spread there?—A. That is the reason for that spread there.

Exhibit No. 17, filed.

In addition to the beds available for soldiers in pensions hospitals, the department enters into contracts with civilian hospitals where space is available. A sample contract is shown in Appendix (b). No definite number of beds is specified in the contract, but we have found that the civilian hospitals extend every effort to accommodate all soldiers referred by the Department of Pensions for board and maintenance. The per patient per diem cost covers everything except the services of the doctors, and certain extras as shown in the standard contract. For economic reasons it has been found best to have as few hospital points as possible in any one centre.

By the Chairman:

Q. Just what do you mean by that? Elaborate on that, if you will, please.—A. If there are four hospitals in a city, it is advisable, if possible, to put the soldiers in one or at most two, because of economy of time of the doctors in getting around all our hospitals. In some instances we have to break that rule, the same as we break any other rule, but on general principles we like to have as few hospital points as possible. That is the desire of the Department of National Defence, and, from my own experience in the army years ago, I agree entirely with it. The idea is to have as few hospital points in any one centre as is possible, for economy of time and materials.

Attached herewith as Appendix (c) is shown the distribution of all patients on the pensions treatment strength as of May 31, 1941.

The CHAIRMAN: That is filed?

The WITNESS: A. That is filed with you there, and I will borrow it if I may and photostat it.

Mr. HANSÉLL: Will we get that later?

The CHAIRMAN: The committee will have it, Mr. Hansell.

The WITNESS: I will send these photostats over.

The total patients as of that date numbered 4,176, of whom 2,746 were in departmental hospital and 1,430 were in contract hospital. Of the total number of patients, 1,940 were members of the present active forces, and an additional 250 were men who had been discharged from the forces of the present war for

whom we are responsible. The balance of patients on the pensions strength, namely, 1,986, were ex-soldier pensioners of the first and the present war, and other patients who were a federal responsibility for one reason or another,—the R.C.M.P. and so on.

The average cost per patient per diem in departmental hospitals was \$2.52, as will be shown in Appendix (d) which splits up the cost for the past fiscal year in so far as departmental hospitals are concerned.

The members have not got Appendix (d) but that will be sent to-morrow.

By Mr. O'Neill:

Q. That covers all costs except doctors?—A. That covers doctors too, within our departmental hospitals.

Mr. HARRIS: Mr. Chairman, the witness says it covers all costs. I challenge that statement now. I will probably take it up a little later on. Certainly it does not take into consideration the cost of the land on which the buildings are situated, as well as other items, and I cannot allow the statement to go by that it covers all costs.

The WITNESS: That is covered in my submission later on.

The cost of hospitalizing soldiers in civilian contract hospitals where active treatment is carried out is between two and four dollars per patient per day, which includes the contract price, the extras, and the salaries or fees of medical officers. These costs in contract hospitals vary according to the facilities and location of the hospital, and the nature and extent of the treatment given. In civilian contract hospitals where convalescent or domiciliary care only is required or furnished, the costs are as low as one dollar per patient per day. There is such a place in Vancouver, Mr. Reid, about two blocks from the present Shaughnessy hospital. We have made arrangements with the Sisters there for domiciliary care of some of the old age pensioners who are indigent, and they are very happy there. The charge is \$1 per day.

The department has contracts with the provincial sanatoria and mental institutions, and in such cases pays the bills for soldiers on the same basis as the charges which are made by the institution for civilians.

The costs in strictly departmental hospitals are checked up at headquarters on the basis of consolidated monthly statements from each hospital. A sample statement for one month is attached herewith as Appendix (e). That will be photostated. I am sorry I have not these to-day. All expenses are shown on this sheet except the interest on capital investment in hospital buildings or equipment, and actual new buildings. That is what you are asking about, Mr. Harris, is it not?

Mr. HARRIS: Yes. I am not accepting that statement, Mr. Chairman.

The WITNESS: We can check that up.

By Mr. Harris:

Q. "All expenses shown" except so-and-so is an all-embracing term. There are other expenses that are not in there apart from interest on capital investment.—A. If we were to write off depreciation on these buildings—they are all twenty years old—if we were to write off depreciation at five per cent a year—

Q. You would not be allowed, in the first place, because they are brick buildings, and two and a half per cent is the legal allowance according to the Income Tax Department. —A. We have a brick building at Christie Street and we have a brick building at Westminster, and of course the new hospital, the Shaughnessy, is concrete, which does not enter into this picture. But we also have a brick building in Winnipeg. The others are of stucco construction.

They were not supposed to have a life of more than fifteen years when they were built, but they have been furnished up. However, I understand that is the way the government always has estimated expenses. I am not an authority for that.

Mr. HARRIS: The provincial government does not allow depreciation as an expense against the conduct of the institution, but the federal authority does in the event of the institution making money. A deductible expense is depreciation. There is two and a half per cent on brick buildings, five per cent on frame buildings, and temporary buildings, such as the Doctor mentioned, as high as ten per cent; seven and a half per cent on stucco buildings; ten per cent on all fixed machinery—all equipment in the operating suites and what not, and twenty-five per cent allowed on movable machinery, such as motors and trucks which run around with food supplies, and so on. The federal authority in making up the balance sheet will allow those sets of depreciation. Under the Municipal Act, when they report through their individual municipalities, the provincial legislature does not allow any deductions for depreciation charges as an expense against the operation of the institution. That is the way the matter rests.

The WITNESS: We do not either; we simply do not show it, you see.

After an experience of twenty-three years headquarters knows the average steady overhead expenditure for each hospital, and any increases in the per patient per diem cost are checked up against the normal overhead and having in mind the number of patient days shown during the month—a larger number of patient days reduces the unit overhead and vice versa. The salary items constitute the largest percentage of the per patient per diem costs. Those items include the salaries of all the doctors, nurses, medical orderlies, and the proportion of salaries chargeable for treatment purposes, of the administrators, stenographers, clerks, engineers, firemen, utility personnel, and all other persons needed to manage the hospital. Such a system of allotting costs gives a very much better idea of the actual costs than the system shown in civilian hospitals where doctors' salaries are not included.

Mr. HARRIS: There is one statement there, Mr. Chairman, that is not right, the statement that "and all other persons needed to manage the hospital".

The WITNESS: Well, gardeners.

By Mr. Harris:

Q. The witness, no doubt, receives remuneration from Canada for his services, as, of necessity, he has to live. Where does his remuneration come from?—A. From the salary vote.

Q. Of the hospitals?—A. Yes.

Q. Of the hospitals?—A. The care of patients.

Q. And the same applies to all those with administrative responsibilities?—A. Except that some of the doctors in our department have divided duties. Some of them are doing part pension work and part treatment work.

Q. And there is only the one source of remuneration?—A. Yes. We try as far as possible—it is only an estimate—to divide a doctor's work into, say, seventy per cent for treatment purposes and thirty per cent for examination of pensioners for pension purposes, which is not treatment work.

By the Chairman:

Q. And where is that percentage shown?—A. That shows in each man's confidential staff file. It shows how his salary is allocated.

Q. But is the cost of that administrative set-up included in your cost?—A. No; this is the cost of managements of hospitals only.

Q. No headquarters' costs?—A. No. These are treatment costs.

Mr. HARRIS: I do not think this has anything to do with this department, but in the operation of this interdepartmental hospital committee you might find out concerning Brigadier-General Gorssline, director of medical services in the army, what proportion of the cost of maintaining Brigadier-General Gorssline and his staff goes into the cost of operating these hospitals. His duties are perhaps divided ninety per cent with the active army and perhaps only ten per cent for the other work.

The CHAIRMAN: Nothing.

Mr. HARRIS: The word "all" is used so often; that is why I challenged it. It applies to Colonel Lott and General Gorssline, as well as others. I do not want to raise anything contentious, but I am anxious that we get the right picture of this set-up.

The WITNESS: I do not know how they estimate their hospital costs. The departmental committee only has to do with the building of hospitals. Concerning the purchase of foodstuffs for each hospital—the central purchasing division of the department in Ottawa circulates and awards tenders. The quantities and qualities delivered by the successful tenderer are checked off by the district purchasing agent associated with the district dietitian. Each district dietitian submits to the chief organizing dietitian a monthly statement of prices and amounts used in her hospital, and the chief dietitian consolidates these district reports, and submits a monthly consolidated statement sheet to Ottawa, where it is checked over by the central stores purchasing agent, in conjunction with a medical officer of the director of medical services' staff. A sample monthly food report is attached herewith as appendix (f).

The medical supplies and equipment for departmental hospitals are also obtained on tender issued by the central purchasing division of the department in Ottawa, and the tenders are based on requisitions sent in from each district administrator. These requisitions are scrutinized by a doctor on the director of medical services' staff, and are not necessarily approved for purchase as requested by the district, as to quantity or to quality. No local purchasing of any quantities of supplies is permitted except for some small emergency items. The lowest tender is not necessarily accepted, but the tender is awarded on the past experience of the department, as to quality of goods supplied, speed in delivery, responsibility of the tenderer for unsatisfactory deliveries, et cetera—a statement as to the activities of the purchasing and stores division of the department is attached herewith as appendix (g).

The actual professional care of the patients in departmental hospitals is carried out by: (a) full-time salaried officers who are civil servants, and number at the present time, 79; (b) part-time salaried officers appointed by the Civil Service Commission, mostly specialists of one kind or another, of whom there are 126; (c) medical representatives, who are paid on schedule of fees for piece work, of whom there are 1136. These medical representatives are doctors whose total departmental work for the year would not warrant their being placed on a civil service salary basis, but who are called on as the occasion requires. They are generally situated at strategic points in the smaller towns or villages throughout Canada. Certain additional doctors have been required, and have been given a salaried temporary appointment full-time or part-time, to cover the very greatly increased work which has been required of the department in consequence of the war and other increased hospital responsibilities which have been taken on by the department for other federal departments, but in places where such a procedure is possible, and by a mutually satisfactory working arrangement with the Department of Defence, when a sudden emergency of work arises for the soldiers of the new army, and also where any extra amount of work continues, the district medical officer of the national defence on pensions request, details medical officers who are in uniform in that district to assist the pensions doctors in the treatment of soldier patients.

By the Chairman:

Q. The district medical officer of the national defence department on pensions requests?—A. On pensions requests. There should be a comma after "National Defence". There is a medical officer in charge of each of the twelve districts. They are all under Brigadier Gorssline who is the director general. All the district medical officers are under him. They have charge in these districts of the various medical needs there, and by arrangement with Brigadier Gorssline if our chief medical officer of the district runs up against some extra bit of trouble which he cannot quickly dispose of he telephones over to the district medical officer of the national defence department and asks, "have you got a doctor you can let us have to do this work?" We have had a lot of them.

...in both departmental and contract hospitals, always providing that such work does not interfere with the regular military duties of such medical officers. This arrangement has effected a very considerable economy and the pensions department has not had to employ so many additional civilian doctors to cover the additional work. This procedure has been and is now in force in every one of the large centre district offices.

14. At present there are 305 nursing sisters on the strength of the pensions treatment division. These nurses are appointed by the Civil Service Commission from eligible lists created by the commission. The number is augmented from time to time by the temporary employment of nurses who are paid according to prevailing local rates. There is a similar working agreement with the national defence to the arrangement for doctors, namely, if the national defence has nursing sisters called up for duty who are not occupied, or who are awaiting transfer overseas, the D.M.O. on request, will second such nursing sisters for duty in the pensions hospital pending their need by the national defence. This arrangement has effected a very material saving, particularly in the Montreal, Halifax, and Victoria districts.

We have had as many as eight or ten nursing sisters in uniform in the war who are waiting for their hospital to go overseas and while they are waiting there was nothing for them to do and they did not want to get out of touch so we had them in St. Anne's hospital this last winter.

By the Chairman:

Q. I notice you mention particularly Montreal?—A. Particularly Montreal, Halifax and Victoria. That is where we have our big concentrations of troops and our work has been very heavy in those areas.

15. There are also on the strength of the department orderlies who also are appointed by the Civil Service Commission from eligible lists created by the Commission, and who are for the most part older ex-soldiers of the first war who have a certain amount of technical knowledge concerning the routine ward management of patients. Some effort has been made, particularly in Quebec City, to assist the National Defence in the training of medical orderlies for the R.C.A.M.C., and while in training such men have been of material assistance to the Department of Pensions.

We get a half dozen suitable men from the R.C.A.M.C. who do not know much about looking after patients but who are capable men, and we take them into our Hospital Savard Park and train them in the routine ward work.

By Mr. Reid:

Q. Does that only apply in one province?—A. It has only been possible so far to apply it to Quebec city, but it is open to augmentation in any one of the districts. It saves us money and it is not too much trouble and it gives the National Defence men a good training

By the Chairman:

Q. How did it happen that the experiment opened in Quebec?—A. It is difficult to just say how. We told them that we would do this for them anywhere they wanted it, and they had personnel in Quebec city whom they could spare from their regular routine military work and so they sent us over half a dozen and we trained them for four or five months and sent them back and they sent another half a dozen and so on.

By Mr. Picard:

Q. That would give an opportunity to the National Defence department to get better men who are trained before they go overseas—better trained in hospital duties?—A. That is the idea.

By the Chairman:

Q. The determination of the expansion of this scheme would depend upon the initiative of your department or the Department of Defence?—A. The Department of Defence. We have made the offer. We will do it any way they want it and it is up to them to take advantage of it or not as they see fit. They cannot do it for all districts because they have not got the personnel to spare from their ordinary military duties. We have made the offer and it is a standing offer. Wherever they have sufficient personnel to do so they can take advantage of it.

By Mr. Picard:

Q. I understand that in Ottawa they train them separately. They have a training school. The orderlies may go with the doctors as we saw the other day.

By Mr. Reid:

Q. Are those orderlies taken from the active service corps or are they taken from the veteran guards?—A. These orderlies? You mean the orderlies of the National Defence or ours? The orderlies of the National Defence are regular recruits. I think they are physically fit men. It is advisable that they should be physically fit men. I question whether many of the veteran guard would qualify for that R.C.A.M.C. work. Some of them would.

The CHAIRMAN: A good orderly is valuable to a hospital?

The WITNESS: Absolutely.

By Mr. Reid:

Q. But men in category "B" or "C" might be well qualified as orderlies?—A. Oh, quite, yes.

By Mr. Picard:

Q. Even under fire? Even on active duty in England—category "C" men?—A. I would not say for overseas. It is a matter that would have to be according to the judgment of the National Defence officers themselves. It might be of interest to note—this is not a part of the precis—thirteen of our doctors have been allowed to enlist from our tsaff and five of the nurses and forty-five of the orderlies; and there are the other doctors—the younger ones—who have their applications in.

16. The total amount of work which the Department of Pensions has done for the National Defence in the way of hospitalization of soldiers of the present war, is as shown in appendix (H)—namely, 65,506 soldiers, with the total patient days of 1,454,649.

The figures on the top half of the page refer to the war work which we have done in all our hospitals and the figures in the lower part represent the work in our hospitals which has been done for the National Defence—65,506 admissions of the new army we have had.

By the Chairman:

Q. That would be out of a total of 81,435?—A. Yes, sir.

17. The Department of Pensions has been approached by various civilian hospitals asking that federal aid should be given in whole or in part towards building annexes to these hospitals. The requests have been that such annexes should be of permanent brick and stone construction similar to the buildings of the existing civilian hospital. It is believed that similar requests have been made to the Department of National Defence. Speaking generally, these requests have not met with approval for various reasons, chiefly that of cost and time taken in construction of such permanent buildings.

18. On the other hand in various localities approval has been given by the Inter-Departmental Committee to propose construction by the National Defence of a temporary building on civilian hospital grounds connected by a passageway with the main hospital building. Such temporary buildings would have a life of 15 to 25 years, and could be constructed at a cost of about \$500 per bed. With such a plan the existing facilities in the main hospital could be used without duplication.

By the Chairman:

Q. That would be the building alone?—A. Building alone, building and equipment, building and beds.

Q. And beds?—A. Yes.

By Mr. Harris:

Q. Buildings, beds and equipment?—A. Everything that is needed.

Q. X-ray, operating tables?—A. Oh, no, the existing facilities of the civilian hospital would be used for X-ray and laboratory services and for operating room services. These temporary buildings are the camp hospitals, and as a rule they are not fully equipped. They have no operating room or X-ray room or laboratory, but the existing facilities of the civilian hospitals next to which they are built are used. If they set up complete hospitals it would cost between \$2,000 and \$3,000 a bed. I think that finishes my submission.

By the Chairman:

Q. If there are any general questions arising out of this submission that any of the members of the committee wish to ask Dr. Millar now is the time to do it.

By Mr. O'Neill:

Q. In paragraph 17:—"Speaking generally these requests have not met with approval for various reasons, chiefly that of cost and time taken in construction." Are you speaking of the approval of the Department of Pensions and National Health?—A. No, sir; of the Inter-Departmental Committee consisting of Brigadier Gorssline, Surgeon Commander McCalum with the navy, and Air Commodore Ryan for the air force, and myself.

Q. Was that a unanimous decision?—A. Yes.

By the Chairman:

Q. I think the committee would like to know in actual working out in practice the co-operation between army, air, and naval and Pensions and Health

in the matter of hospitalization. Let us see how that works.—A. The plan was originated in 1939 and has been adhered to all along the line for all the services. That is to say in a word, if the National Defence—and when I speak of National Defence I mean all the branches, you see, the army, navy and air force—if the National Defence has sick people in any locality where they have no facilities themselves to look after them they turn them over to us.

Q. And is there any departmental charge, any bookkeeping entry?—A. We take entire responsibility for all the costs and the costs come out of our vote. There is no reimbursement from the National Defence department.

Q. And does the National Defence patient, the enlisted individual, who becomes a patient in one of your hospitals still remain on army strength and pay?—A. Yes, but he is under us for treatment entirely; he is under the army strength for pay and allowances until he is discharged from the army. After he is discharged from the army, there is no man who has any pay. I am wandering now into Defence matters again—he has a month's post discharge pay if he has been 80 odd days in the army.

Q. Tell me. What is the procedure in the case of men who, for one reason or another, physically are in category "E"—what becomes of those men?—A. Well, if that man is in our hospitals or under our care and we find certain disabilities about him that we think in our humble opinion as laymen will act in such a way that he will not be a suitable soldier—suppose he has got tuberculosis or Bright's disease or some mental disease—we send an interim report immediately to the National Defence medical people and on that report they take such action as they see fit. They may board that man and put him in category "E" and then proceed with his discharge from the army. As soon as a man is in category "E," if he is not already in our hospitals, he is sent to us; after that his disposition is not under Brigadier Gorssline's service at all; they have finished with him; he then comes under the Adjutant General for disposal, and the Adjutant General has issued orders that as soon as a medical board showing category "E" is approved by headquarters Defence medicals the man shall be immediately discharged from the army as soon as is convenient. The order says: "It should be possible to do this within ten days."

Q. The cases coming under your supervision, under Pensions and Health, is that worked out the way this order suggests?—A. It is debatable ground. I would rather not make a reply to that just now.

Mr. HARRIS: I am sorry; I cannot hear a word.

The CHAIRMAN: The witness suggests on that particular question, since it is an interdepartmental matter, that he would rather discuss it in camera.

The WITNESS: Yes.

The CHAIRMAN: We can leave that question.

By the Chairman:

Q. With regard to the question of building hospitals you told us that that matter comes before this interdepartmental medical committee?—A. Yes, sir.

Q. In each case?—A. Yes, they give us a broad sheet of what they think they will have to cover. Speaking generally, you have to allow for 5 per cent of all the forces being in hospital at any one date. Sometimes it goes higher or as high as 7 or 8 per cent and sometimes it goes below 5 per cent, according to the reason and the locality; but in reckoning the need for beds you have to reckon on 5 per cent of the forces being constantly in hospital.

Q. To get back to this committee. If you found under one branch of the service that they would suggest a military hospital that would come before this interdepartmental committee?—A. Yes.

Q. And you would discuss the matter on its merits?—A. Yes on the beds that are available there at the time and upon the concentration of troops there or the expected concentration of troops in that locality.

Q. And having in mind the existing facility of pensions and health?—A. Quite.

Q. And all existing military forces?—A. Yes, and the contract with civilian hospitals, and also the facilities for treatment. You do not want to send a man who has a degree or two of temperature to hospital unless you have to; it is better to have some little sick bay in the camp and put that man in perhaps for 24 hours and then send him back on duty. They take all those things into consideration.

Q. By the way, with regard to those cases that are sent to you of men in the army, let us say, in Ottawa, they would be hospitalized if necessary in the Ottawa Civic Hospital, would they?—A. No, sir, not those trivial cases.

Q. But the serious cases?—A. They would be sent to the Ottawa Civic under our salaried officers or doctors, and as soon as they are convalescent or in a fit state to be sent to the Rideau Convalescent hospital we send them over there.

Q. Who watches that?—A. Our doctors.

Q. They recommend that the man is— —A. —fit for transfer to the convalescent hospital.

By Mr. Reid:

Q. I think you said a short time ago that men of the active service forces when they fell sick were sent to hospital and became a care under your department, and my question would be this: in the case of an epidemic of flu or cold such as has occurred out on the coast last year when great numbers of the men coming from other provinces fell sick and had to be sent to private hospitals—in cases of that kind does your department assume any financial responsibility?—A. We pay their maintenance while they are in those hospitals. We pay all their maintenance out of our vote. We have a vote for that. One of the very reasons we built this new hospital at Shaughnessy is to cover that Vancouver situation.

Q. Would that come under contract the same as for ex-service men in the last war?—A. Yes, exactly. There is no distinction between the practice for ex-service men in the last war and the men of this war.

Q. So that these men of the active army when they are sick become the financial responsibility of the Department of Pensions and National Health?—A. Yes; unless they are trivially ill or have a short illness of some kind or another in which case they are to be handled in these only partially-equipped camp hospitals of the National Defence Department.

By Mr. Sissons:

Q. And the medical officers of the army have nothing to do with the recruits after they have gone into your hospitals?—A. Except when we ask the different medical officers for some help.

Q. And the medical officers of the army have nothing to do as to the discharge of the patient in the hospital?—A. No, sir. Our officers decide when a man is fit for discharge.

By Mr. Reid:

Q. Is there any way of comparing the costs incurred in military hospitals as against the cost of patients in, say, a hospital like Shaughnessy? I have in mind a hospital at Nanaimo which I visited previous to coming here—a 200-bed military hospital fully equipped with nurses and medical men—and I am just

wondering how the cost per patient would compare to the costs in, say, Shaughnessy hospital. I was wondering if you have any figures on that?—A. No, sir, I have not any figures on the costs of the Nanaimo hospital.

By the Chairman:

Q. Nanaimo is a military hospital?—A. Nanaimo is a military hospital pure and simple.

Q. Appendix E gives the comparative costs based on the method adopted of computing those costs of the different Pensions hospitals throughout Canada.

By Mr. Picard:

Q. When a man falls sick in Ottawa at Lansdowne Park and is sent to the Civic hospital does he becomes on that date your responsibility?—A. Yes, sir, the medical officers of the National Defence Department decide whether a man is seriously enough ill to turn him over to us to put in a fully-equipped civic hospital, and if he decides that the man is not seriously enough ill to require the extensive services of the Ottawa Civic hospital he sends him to the military convalescent hospital.

Q. If he needs surgical attention he will be sent to the Civic?—A. Yes.

Q. Under your charge?—A. Yes.

Q. When he gets fairly well but not entirely well enough to resume his duties he is sent to the convalescent home and then he becomes again the responsibility of National Defence?—A. That is right.

By Mr. Gladstone:

Q. You have nurses working side by side, nurses under the Department of Pensions and National Health and nurses who are enlisted in active service. Are the rates of pay different and does that bring conflict or not?—A. There are some little differences but they are immaterial, because they are only seconded to us for duty and their pay from the National Defence continues. We do not pay these nurses nor the medical officers who are sent to us to help us.

By the Chairman:

Q. What rates of pay do your nurses get?—A. Our nurses are under civil service pay and their rates are very good. A nursing sister starts in at a gross of \$1,380 and she advances year by year until she comes to \$1,560. That is for the ordinary nurse in the war. Charge nurses have \$5 a month more and matrons have more.

Q. What is your first one there, charge?—A. The rate of salary is from \$1,380 to \$1,560.

Q. What was that word you mentioned then, the next category?—A. Charge nurses.

Q. What do you mean by that?—A. Well, she is a nurse who is capable of looking after the hospital or looking after a section of a hospital during the absence of the matron. She is in charge, as it were, so she is called a charge nurse.

By Mr. Gladstone:

Q. What rank does the enlisted nurse have?—A. Lieutenant.

Q. What is the rate there?—A. I cannot tell you; it is comparable to those.

By Mr. O'Neill:

Q. Do they get board and room?—A. No. If we give them board and room—we only do that in two or three hospitals—if we give them board and room instead of them living in the city by themselves we charge them \$39 a month for the board and room. That is also a civil service arrangement.

Q. They get uniforms?—A. They get four free uniforms a year.

Q. The laundry is free of charge?—A. Oh, no.

By Mr. Picard:

Q. The question I have in mind—I do not know whether it should be asked of the present witness, but in view of his long experience in the medical service and hospitals, would he care to give his views concerning the advisability of a compulsory Wassermann test on all men entering the service and the same with regard to inoculation against diphtheria, or do you prefer not to say anything about that?—A. I have not any objection to saying right up on the top of this steeple that we should do the Wassermann on all of them after they are attested, not before.

Q. After they become—A. After they become soldiers. Then they should be tested and, if necessary, treated. It can be cured.

By the Chairman:

Q. Have you formed any idea as to the cost of that?—A. No, but I would make a guess that the testing alone could be done for between 50 cents and \$1 a head.

Q. What would be—A. Possibly less. I have not approached people to find out how much they would do it for.

Mr. HARRIS: Provincial authorities would do it free.

The WITNESS: Yes.

By the Chairman:

Q. Would you suggest using the already existing provincial apparatus for that?—A. If arrangements could be made with the provinces to do that that should be done.

Mr. HARRIS: The arrangements have already been offered by the province of Ontario on three different occasions by the Premier of the province of Ontario, the Hon. Mr. Hepburn. These facilities were offered on three different occasions according to the press. Perhaps the doctor can verify that. The facilities of the Department of National Defence and the different provincial laboratories could carry out the Wassermann test at no cost whatever to the war effort. That is the record, and I think you can bear me out.

The WITNESS: Yes. We have already done that same thing, Mr. Harris.

(At this point evidence was given in camera.)

Q. You naturally would be looking at that, I presume, and properly so, from the national health standpoint?—A. Absolutely from a national health standpoint and also from the standpoint of saving these soldiers for the army.

By Mr. Harris:

Q. And pensioning them?—A. Quite.

By the Chairman:

Q. And public charges?—A. Pensions would be the smallest part; it is the maintenance of these men who will be all charges on the community.

(At this point evidence was given in camera.)

Q. Your suggestion is to examine them after enlistment?—A. Yes. A positive test should not be a detriment to enlistment.

By Mr. Reid:

Q. It would be a splendid thing for the man himself?—A. Of course it would. These 65,000 men were keen on the thing. They come to our medical officers and say, "How is my blood, how am I?" They are keen on getting it done. They never make an objection at all, but it sounds like a very big thing. A lot of the ministers think to examine 250,000 men would be a big thing. It is not nearly as big as it sounds with the help of a province such as Ontario—

Q. Do you know if such a test is carried out in any armies of the commonwealth, say in Great Britain?—A. No, I do not know.

By the Chairman:

Q. It is carried out in the United States?—A. It is in the United States prior to enlistment, I think, and I think that they do not take them in if they are positive, which is a great mistake. We do not take them in if they are infective; if they are in the infective stage we do not want to put them in with other men.

Q. If a man enlisted and is examined—of course, he should not get by his original examination?—A. No, but he might.

Q. After that if he were found in the infective stage he would be isolated?—A. He would probably go to one of the venereal wards and be given treatment.

Q. Incidentally the question has puzzled me, Dr. Millar, and I should like to get the correct state of affairs with regard to it, do civilian hospitals as a rule take into the hospital all venereal cases?—A. As a rule they do not. Some of them have venereal wards in which they will take them in, but they are in the minority. Some of them will take them in as private patients and put them in private rooms and allow a doctor to treat them in hospital, but speaking generally, the treatment of venereal disease in Canada, except with complications, is done either in doctors' offices or in provincial public clinics, venereal clinics. They are all over the country. We have a big one here in Ottawa.

Q. Where a venereal patient requires hospitalization what happens?—A. If they require hospitalization we will take them into our place or National Defence will take them into theirs; they are not left out in the cold.

By Mr. Picard:

Q. What have you to say with regard to comparing the old treatment, the long treatment cure, with the new idea, the short cure, that was explained to us the other day?—A. We have been following the short treatment cure very carefully and so far we do not feel warranted in adopting it. We know it is good in selected cases, but the cure has not been in operation long enough for us to determine the dangers of it, because there are some dangers connected with it. There is also the question of permanency of that kind of cure. We know the other is permanent and the other is safe when properly given and therefore so far we have stuck to the old method, that is the longer method. It is quite possible as the advance of science goes on and as this thing is cleared up more we will adopt the short treatment too.

By Mr. Reid:

Q. Doctor, is venereal disease spread other than by contact?—A. Oh, yes, but there has to be some contact, Mr. Reid, some pretty close contact.

By Mr. O'Neill:

Q. What happens to a man on active service who becomes ill and is ultimately boarded and found to be in a category that would make him of no use for active service? He is then sent to a convalescent hospital. Does he come off the pay and allowances as a soldier then?—A. No, sir. The procedure is very simple but is quite a round about one. The man is boarded on his

medical board and shown as category E, say. That means he will never become an efficient soldier. If he is in hospital—and he is generally in our hospital—and if he is not in hospital he is sent to us whether he needs treatment or not. He is sent to us as soon as he has become category E. We give him what treatment is necessary in the meantime. His papers have all gone through to his military unit and the commanding officer of the unit is enjoined to discharge him from the army, not to show him as a fictitious soldier. As soon as he is discharged from the army which may be anywhere up to three months after he has been categorized, he gets pay and allowances until he is discharged from the army. Now, then, if he is still in hospital and still needs some treatment he is kept in hospital. We keep him there. He becomes our baby then. We keep him there. His army pay stops as from the date that he is discharged from the army, but he is given special hospital dependants' allowances which are the equivalent of the allowances which were given to his wife and children when he was in the army plus any assigned pay that he gave to them. He himself gets no more pay but his dependants are protected at home.

Q. Suppose he is a single man?—A. Well, he has to undergo all the difficulties that single men have to undergo. He is discriminated against. He does not get any pay. If he was a single man and assigned pay to his mother or dependent father or sister—

Q. No, I am not enquiring about his dependants at all. I am enquiring about single men who have nothing.—A. He is kept in our hospital until he is fit for discharge and when he is discharged, if he has been long enough in the army—180 odd days, I forget the exact number—he gets one month discharge pay. We keep that money for him until he is ready to get out of the hospital. We also keep a clothing allowance which is given him until he is ready to get out of the hospital, otherwise he would dissipate it all, spend it all. Then when he gets ready to go out of the hospital, that is the end of it unless he gets a pension.

Q. Sometimes a man is quite ready to go out of the hospital but he is in no condition to resume his proper place in civilian life. He may possibly require some three or four more months to get back to a normal condition where he could go to work. What happens to him in the period from the time he is discharged from the army until he is ready to resume his normal duties?—A. He goes home.

Q. If he has no means of support then he is a charge on his family or is a charge on the community that he lives in.—A. Yes, but there are very few of those cases.

Q. I think it is an absolute disgrace that there should be any of those cases at all.—A. Why? However, I should not argue on these cases. That is a matter of law.

By the Chairman:

Q. I am sure that the committee would be interested to have you say what you said to me this morning in private conversation, suggesting that your department is now geared up to consider and to assist and to help the man who is discharged and comes under your care. To what extent is your department geared up for that?—A. One hundred per cent.

Q. What is the set-up; what do you do?—A. Treatment, if he needs it.

Q. Yes. Do you assist him to find employment in any way?—A. The welfare department does that.

Q. That is a branch of your department?—A. With our branch, yes, under the associate deputy minister, Mr. Woods.

Q. I think I should like you to elaborate that a little. Tell us what the set-up is and what is done. Illustrate what work the department is prepared to do in connection with a man who is discharged from the army, turned over

to you, and no longer needs hospitalization. This man is without work and needs a little assistance to get rehabilitated. What do you do?—A. He does not come under me then, Mr. Graham. He comes under the associate deputy minister, Mr. Woods.

Q. He does not come under you?—A. He comes under the welfare department. If he has some curable disease which is keeping him from work then we take him back in the hospital.

Q. You deal with patients?—A. We deal with patients that need treatment. We are very lenient about sending them out of the hospital before they are fit. Our average length of stay in hospital is half again as long as the average length of stay of similar patients in civilian hospitals for that very reason that we have to keep an eye on the economy end of it.

By Mr. Picard:

Q. May I revert to the question asked a moment ago about preventive protection? Do you care to give us your views for instance with regard to precautions against epidemics? Do you believe every man should be inoculated against diphtheria together with the other precautions that are taken at this moment, or are you against it?—A. It is difficult for me to give an opinion on the matter because it is entirely under the Department of National Defence. Personally, if there is an epidemic in a town, an epidemic of scarlet fever, say, we would try to protect all the rest of the community.

Q. You do not care to give any opinion as to the advisability of doing it when the men come into the forces just as they do for typhoid or tetanus or smallpox or so on?—A. No, sir, I would not want to give an opinion of that for publication.

By Mr. Gladstone:

Q. Would you care to compare the British system and the Canadian system with regard to hospitalization with respect to the last war and this war?—A. Well, the British hospitals—

Q. I do not know whether we understand the British system?—A. At the outset of the war the Ministry of Health in Great Britain took over every hospital in the kingdom.

The CHAIRMAN: The man on the street was a combatant there, I suppose?

The WITNESS: Yes.

Mr. HARRIS: Mr. Chairman, I would like to make an observation or two, and that observation has to do not only with the depositions that have been given to us today, but with the general conduct of all our work up to this moment. What I have to say is not a criticism of Dr. Millar or of anyone else, but it is a criticism, perhaps, of our whole set-up, as we have been working along slowly, very slowly, and perhaps not as efficiently as some of us would like to work. I want to lay the groundwork as I did with Brigadier General Gorssline. This can go on the record. We want these men to come before us and to realize that we have a tremendous responsibility in this committee and that we are the creatures of parliament and that parliament is supreme. We are given carte blanche to study the expenditure of millions of dollars. These men that come before us are the men who are spending these millions of dollars, or rather they are heads of the departments which are spending those millions. Now they come to this committee and they give us a statement like this. Mr. Chairman, this statement is not good enough. There is not anything there about the expenditure of millions of dollars. Who are these people? Who are you? Who are all of your personnel? I do not mean the stenographers, but the heads of all the departments. What is the relationship between your department and Brigadier Gorssline's and this man Ryan and these other men. We haven't

had that information from any of these men. Where are the minutes of the so-called interdepartmental hospital committee? What did they decide they were going to do? How can we analyze where the money is going? We are sitting here fiddling, I think I am; we are not getting anywhere on this. We are getting a lot of general information. We are getting a picture of the way the thing is operating to a degree, but you cannot answer me now and tell me how these men are in hospitals, you cannot tell me now after the evidence we have had where the recruit leaves the air force and finds himself being taken care of by Pensions and National Health or where Pensions and National Health takes him on pension and where he is discharged, or any of that picture, particularly the economies of the thing, the dollar value and where our dollars have gone. We have not got the balance sheet. This is no balance sheet of those expenditures. We are an expenditures committee. I want to get this on the record so that our friend Dr. Millar can come back to us as he will have to do and give us some of those ideas. He gave certain things to us to-day, but C, D, E, and F are not here. Why aren't they here? I want to tell you that we and all the rest of us are very important people, equally as important as the heads of any service in Canada and perhaps more important, because we have a responsibility to find where these moneys go and to inspire confidence in the public and I say frankly we are not getting the picture from the heads of those departments that we would like, and you are being asked and I am being asked to try and formulate a conclusion and to pre-judge these things and these expenditures. I have some ideas and you have some ideas and yet we cannot make our judgment on what ought to be done. If we make our judgment on these facts our friends will come and pull it to pieces with some merit on their side for the simple reason that we do not know what we are doing. We do not know the volume of money we are handling, how it is allocated to the different departments. I want to see the minutes of this interdepartmental hospital committee, of the medical committee. I want to see the set-up of their organization with the names of the personnel. I do not want to know what money they are drawing. That is not important. But I want to know the money they are expending because the spending is very important. Then I want to get clearly in my mind this picture with regard to all the services: first, the big force, I imagine, might be the army under Brigadier-General Gorssline. A recruit comes in; he is the responsibility of the army medical corps I would imagine, and at that stage they follow him through. He has a boil or he has some trivial thing the matter with him. He is handled by the army medical corps in the unit of which he is a member, and if his case is difficult and he requires more attention then, Dr. Millar told us to-day, he is handed over to them in the Department of Pensions and National Health. Dr. Millar has told us to-day that his medical staff look after that individual from there on. Brigadier Gorssline said no; he said our men follow through; from the place where he is institutionalized. I want to know who is right. Air Commodore Ryan says it is very difficult for those people in the Air Force—the word he used was “to develop intimacy” between the men in blue and the men in khaki for the benefit of the men in blue. Therefore, the man in blue who is a medical man of necessity will follow that case through. Dr. Millar says to-day, no; that when he is hospitalized then the Department of Pensions and National Health takes that man over. I want to know where the line is drawn. I am going to make a suggestion where I think it ought to be made, not that I want that idea to prevail, but I hope it does, and perhaps when the minutes of this interdepartmental committee are examined we will find out something as regards where this starts and stops. As a committee sitting on war expenditures, in the absence of any balance sheet, Mr. Chairman, which you failed so far to provide this committee with—which these men have failed to provide this committee with—I am going to pre-judge some of this work now. I think it would

be a disastrous mistake to build up in this country sets of hospital services for each one of the units or divisions of the army, navy, air force, Pensions and National Health department, and if you want to include it, the civilian hospitals, five divisions—five sets of services across Canada. That would be a mistake. But I can quite visualize the difficulty from the medical standpoint, not with regard to the cost, but from the standpoint of medical ethics; they want to follow their men through as Dr. Millar knows, and they will be hesitant to break off at a certain point when they have treated a man so far in the army or navy or air force and turn him over. But I think a rule should be laid down that a man who becomes ill in any one of the services should get temporary treatment or sufficient treatment to determine whether that man shall within a fortnight or less or more as the committee in their wisdom decide—as this board of governors decides—go back into the active service. Is there any possibility of his not going back into the active army or air force or navy? Then, in my opinion, he should become a charge of Dr. Millar's department from a medical point of view and from a cost point of view; he should be lifted out of the balance sheet of the operating costs of the medical services in these three units or definitely put into the balance sheet of costs in these units even if he had to have different medical men look after him when he got into this common unit. The common unit which should be built up is the unit headed by Dr. Millar, and in my opinion the minimum of medical work should be done in the army and all the work that is done in the army or the air force should be on men that are going to remain and be in the active service as active soldiers. Even if you have to discharge them here, bring them into the Department of Pensions and National Health and cure them and make well men out of them again and reinstate them back into their private positions with their previous standards and previous pay rather than as obtains now, and you know it and we know it, although Dr. Millar does not admit it—the tendency in the army, navy and air force to carry their medical services through not only whilst the patient is active but to carry him through when he is inactive, right through, and bring him back into the service with the result that you have these services overlapping. Now that is what the depositions lead us to believe, and in the absence of straight facts on these points we have to make these suggestions; and I hope when Dr. Millar comes back to this committee he will bring us those records and show us clearly and definitely the financial set-up and the medical set-up, the treatment of the men, where it stops and where it starts definitely and where the army medical corps stops following the patient and where you take over the patient and how he is taken back into the service or lifted out of the service; then this committee can sit around and might be able to advise upon the economy of war expenditures for this particular service. Presently we are pre-judging the case as I view it, Mr. Chairman.

The CHAIRMAN: Any other expressions of opinion on that at all?

Mr. GLADSTONE: I should think when Brigadier Gorssline appears again with replies to the many questions we have given him and when the figures are in type we will have more very important information to go a long way to answer the questions that are in our minds and with no doubt the results of this discussion to-day Dr. Millar may get his picture of our dilemma in some respects and possibly he will be able to assist us towards what we desire, namely co-operation by saving of money and the promotion of efficiency in the service.

Mr. PICARD: There is one question that I think we should submit to the witness and have him answer it at some other time. Is there any other economy which you think can be made in the management of the medical services of the army, navy and air force and the Department of Pensions and National Health that you, because of your active and lengthy experience in the department,

know of? There should be points on which you yourself would like to see some improvement or to save money for the public and we would be very pleased to have you give us your views at some other time with your suggestions that you personally may have to offer to improve the economy of the service. We know that nothing on earth is perfect even although it may be good. So there may be some improvements that you yourself might care to suggest when you come back to us.

The CHAIRMAN: That brings up, of course, the point that was raised at the opening of the committee. I find in discussing with the heads of the departments, including Dr. Millar, the point which you raise we come up against this difficulty. There are already existing rules and regulations and if we want to secure from them frankness and candour we will have to go into camera and the witnesses will feel free to discuss these points.

Mr. PICARD: I agree with that myself.

The CHAIRMAN: I have many questions here that I should like to bring up. Take for instance this question of cost. I agree with Mr. Harris if we were to pursue the inquiry to the extent to which he suggests we would have to have it. I doubt very much—and this is only an expression of opinion—if our committee is set up to utilize the accountancy that would be necessary to make a proper and shrewd study and analysis of cost, because you reach an impasse when you attempt it, it seems to me. I was going to make a suggestion with regard to the appendices. I mentioned to Dr. Millar this morning that other members of the committee would find it convenient to be furnished with copies of the brief and exhibits. I was going to suggest that Brigadier Gorssline will appear before us in the morning. Mr. Gladstone and I interviewed three members of the Pensions and Health Department, including Mr. McKee. They were all in agreement that Dr. Millar could give us the information we were seeking. So we can request Dr. Millar to return on Thursday morning or Thursday afternoon, whichever is more convenient to the committee and him, for the purpose of giving us information with regard to the exhibits so that we may study the matter therein. Dr. Millar in turn can read the record of Mr. Harris' statement with regard to the evidence Mr. Harris would like. There are quite a few points that I am sure we should like to go into camera on to discuss openly and frankly by questions and answers.

Mr. PICARD: I agree with you that some of these things should be discussed in camera. I think that some of the things I have gone into should be gone into in camera. I am sure that on some of the points that we have been talking about, if we sat in camera, the witnesses concerned would be willing and anxious to give us the information we desire. We are not dealing with Dr. Millar as an army man. He is not under discipline. He is a civilian employed in a certain department for years. We might benefit greatly if we could get his expressions of opinion in camera on every possible aspect of his department which relates to war expenditures. I would suggest that when we come to those matters we go into camera. I think it would be a good thing if we could get a frank expression of views from the people who are in a position to give us more information.

The CHAIRMAN: There is one question I want to go into fairly fully, and that is the question of medical supplies. Obviously that is a question we have to ask him to discuss rather openly and frankly with us. Are there any further questions to ask?

By Mr. O'Neill:

Q. There is one question I should like to ask. I do not know whether I should ask this question or not. If the Doctor does not care to answer I hope he will consider that I have not asked it. Is it possible for a medical man to

examine a recruit for the army to-day and give him all the necessary tests required and find that the man is in category A, A-1, a hundred per cent, nothing wrong with him at all; then, say in ten months' time trouble develops and he is found to be in category E? Is it possible for a doctor to say then at the examination ten months afterwards that the man's trouble is a pre-enlistment trouble of say ten years previous?—A. Quite.

Q. That is then within the bounds of possibility?—A. Oh, absolutely possible. It has happened in loads of cases. The most notorious case of that kind would be—and we have had lots of them—a man who had epilepsy. Now, no doctor seeing a man in front of him can tell whether that man has had epilepsy or not.

Q. Is there any way of testing him?—A. No, sir. There is a way of testing him but we do not want to give a man a fit. You do not want to throw a man in a fit to find out because it is a dangerous thing. That is the most notorious type that I can think of at the moment.

Q. Take an accident case. A man has had an accident and has his arm broken or a leg broken or his ribs broken or something of that nature. Is it not possible for a doctor to know when he has examined the man that he has had an accident?—A. Yes, he could.

Q. I had chest trouble at one time, and every time a new doctor examines me the first thing he does when he has that stethoscope on is to take it out of his ears and ask me if I ever had pleurisy. There must be something there that indicates to him that I have had pleurisy.—A. Yes.

Q. I am wondering if a man who had a broken arm or a broken leg—
—A. If there is no deformity, of course, he would not know.

Q. I have a particular case in mind.—A. Yes. If a man had a broken arm and it has healed perfectly without deformity a doctor could not tell it, and that would not be any reason for the man's discharge ten months later in the army either. Any obvious things of that kind can be determined by a doctor if he knows his job and if he does his job. There are the two variants. All doctors are not of equal magnitude, the same as the stars in heaven, and all doctors are not as industrious as they might be, so that there are the three variable elements in examining recruits. The first is the man's own trustworthy testimony as to whether he has ever been sick before. He is asked that. If he tells the truth all right. The second is the doctor's ability in examining the patient, and the third is the extent to which the doctor carries out that examination. If these three things are not all complete a physically unfit man could get through just as he would walk through the door, and they often get through although not a great number, some do.

Q. When an insurance company lets a man like that walk through the door they pay the bill. Now a man is permitted by the doctor to walk through that door—A. Excuse me, sir. Every insurance company's policy that I ever saw had a clause in it about the statements that are made and the insurance policy is null and void within a variable time, one to three years, if the statements are not correct.

Q. Yes, absolutely. I quite appreciate that, but I am speaking of other cases. If they find their doctor has made a mistake in that case and a man does not reach the expectancy of life that they thought he was going to reach the insurance company pays the bill whereas as a general thing probably that man would not examine very many more cases for the insurance company. I have a particular case in mind—A. It is for the government to decide whether they are willing to take the responsibility for all faulty examinations. I have never seen a decision of the government on that point. That is for the government to decide; it is a matter of policy. Are they willing to take responsibility

for false statements or for inaccurate examinations. If they are, why, there is no question about it. It is not for me to decide. You ask me, is it possible for a man to get in with a disability. I say it most certainly is.

Q. I did not seem to think so. Now, with regard to that broken arm—A. If the man has got a broken arm with a well healed result—you are presuming that?

Q. Yes.—A. Well, that does not constitute a residual disability. That man would not be kept out of the army on account of that broken arm.

Q. I happen to know of one particular case where it happened.—A. Let me have the case. I will look it up. There is something funny about that.

By the Chairman:

Q. Dr. Millar, can you tell us the increase in your staff as a result of the war?—A. Yes, sir, I can give you that exactly. I had to get this thing together in a hurry; it is not necessarily absolutely correct, but it is approximately correct. Since the outbreak of the war we have appointed twenty medical officers additional.

Q. Due to the increased work in your department?—A. Yes. This has got to be broken down. You must understand that we are running a very busy department. I have done the best I could to get the details. For instance, this photostat machine is turning out hundreds and hundreds of things a day and when I told them that I wanted more of these photostats they said it could not be done to-day and would have to be done to-morrow. Now, we have appointed twenty new medical officers, 126 nurses and 214 orderlies since the outbreak of the war.

Q. And that staff would have taken care together with your already existing staff?—A. Of this 1,400,000 extra patient days which we have on account of the war.

Q. Or 65,506 soldiers?—A. That is right.

By Mr. Hansell:

Q. How many medical men did you have before?—A. I am going to have that broken down. I would rather give you that statement accurately.

By the Chairman:

Q. There is some information on these appendices that I know the members of the committee would like to have and to study before we enter another stage.—A. I might say to Mr. Harris that appendix D, which I am sorry we have not got, shows exactly where every cent has gone to. That is practically an audit for the year.

Q. Of each hospital?—A. Yes, individually.

By Mr. Harris:

Q. That is the one we have not got?—A. Yes, that is the one we have not got. There is an audit every month as well in appendix E which we had not got. These are photostats and this is the consolidated yearly statement which is made up from all these months. Now, that is a breakdown of every bit of expenditure for the treatment of soldiers.

Q. Does that relate definitely to the parliamentary vote?—A. Yes.

By Mr. Reid:

Q. In the event of military hospitals being built and completed would that relieve your hospitals or would it prevent patients being sent from the military camps where a hospital was in existence to your Pensions and National Health hospital?—A. Not necessarily, Mr. Reid, because those services are increasing

so rapidly. The new recruits that are coming in under the enlargement of the forces means an enlargement of the whole works, and the building of a military camp hospital will very materially make things work easier, would save in transportation costs, save in general hospital costs, but it would not necessarily relieve us any more. Our work is not getting any less.

Q. The reason I asked that is that when I visited the military hospital in Nanaimo I understood that it was completely equipped with operating rooms and almost everything that you have at Shaughnessy.—A. It was supposed to take charge of the concentration of troops in Vancouver Island, many of whom were in contract hospitals. The Royal Jubilee and the Sisters hospital in Victoria, both of those hospitals and our contract hospitals were sufficient when the war broke out and for the first months of the war, but as the concentration of troops got larger they just could not accommodate them, so it was more economical, and believe me it is more economical for the Defence department to run that hospital in Nanaimo.

Mr. HARRIS: Mr. Chairman, I cannot take that statement. I am satisfied that a Department of National Health hospital can be operated equally as cheaply or at less cost.

The CHAIRMAN: I think we have to recognize the basic principle, and that is the principle that Mr. Reid has in mind, and I take it from you, Dr. Millar, that the military use their own facilities to the limit before they use yours.

The WITNESS: Yes. They do not duplicate our facilities.

By the Chairman:

Q. The reverse is true that where you have not got Pensions and Health facilities but the military have space you use this space rather than implement your own?—A. Yes. We do not enter into the picture.

Q. They only come from the military, when they have absorbed their capacity to handle all patients. It might be at Nanaimo fully equipped to take care of everything, or it might be a small hut to treat boils, but this Pensions—and National Health organization only come in after the military have exceeded—

Mr. HARRIS: With all due respect, this Nanaimo hospital as I understand it is a fully equipped military hospital under the Department of National Defence. Everything is there. And in like manner I can visualize one operated by the Department of Pensions and Health.

The WITNESS: We have no hospital on Vancouver Island at all.

Mr. HARRIS: Mr. Chairman, I venture this suggestion: you should have the one at Nanaimo and not the Department of National Defence.

By Mr. Reid:

Q. The thought that went through my mind was who decides the question of where a military hospital will be built and the thought that brought that question to my mind is this: there are, I suppose, around Vancouver and New Westminster well over 2,000 troops— —A. More than that.

Q. With a bed hospital accommodation at Shaughnessy of under 1,000, with no additions made and no military hospital considered to be built for the 2,000, 3,000 or 4,000 troops at Vancouver, and then you decide to complete a modern up-to-date hospital at Nanaimo with X-ray and operating rooms and everything that a hospital should have. I am wondering what saving it is to the country to have a fully-equipped hospital there.—A. I think you have to ask Brigadier Gorssline about that. I do not want to enter into that. I know some of the reasons.

Mr. HARRIS: Do you want a motion to obtain these minutes?

The CHAIRMAN: I have your point in mind. I had discussed that with Dr. Millar. I should like to discuss the production of those minutes with Dr. Millar.

Mr. HARRIS: Do you want a motion?

The CHAIRMAN: No.

Mr. HARRIS: They will be produced?

The CHAIRMAN: I do not know.

The WITNESS: If you have Brigadier Gorssline in the morning you may ask him this.

Mr. HARRIS: I ask you this. I am not going to have a witness ask me to have someone else something. The minutes are going to be produced whether by Brigadier Gorssline, Brown or Smith. I do not care who produces them, but they will be produced to this committee.

The CHAIRMAN: I am not prepared at the moment to give you an answer.

Mr. HARRIS: Will you accept a motion to have them produced?

The CHAIRMAN: I suggest since somebody has to act as a sort of liaison officer as to what should be produced and what should not it would be wise to let me examine them to see what the contents are and what we are opening up before we say what should be produced.

Mr. GLADSTONE: And we shall meet to-morrow morning?

The CHAIRMAN: Yes. Incidentally Brigadier Gorssline is appearing to-morrow only to give information on certain things that have been asked of him. I had thought of bringing him back after we had exhausted certain aspects of the question for the purpose of answering contradictory evidence that has been laid before us. He may have to come back time and time again, but I shall examine into that.

The WITNESS: Would it be possible for the members of the committee to put down in writing any specific questions they would like to have answered? If they do that I will give consideration to them.

Mr. HARRIS: We as members of this committee do not know how these departments are operated, Mr. Chairman. Perhaps we are not supposed to know. The heads of the departments who come before us must come frankly to assist and co-operate with us not to put us in the ridiculous position of having to cross-examine the witnesses that come before us and thereby make us look stupid. That is not the spirit of this committee at all; if it is we are not going to get anywhere. Let them come before us and put the cards on the table and co-operate with us. Do not have them asking us to ask them questions. I might just as well ask you, Mr. Chairman, to ask me questions about my business. You do not know anything about my business and do not know how to operate it or anything like that. How stupid it would be to have you asking me questions on how to operate my business. We are in the same position with the men that come before us. If they would get the idea of a parliamentary inquiry out of their minds and get behind us and co-operate with us and save money we would get somewhere.

The CHAIRMAN: You will recognize, Mr. Harris, the nature of the set-up of this committee puts a limitation upon us. There is the staff, there is the ability, but there is also the time involved in asking these men to spend a long time to get statistical information, which after you have it you must weigh and sift and study. That is the purpose of the private meetings we have. At those meetings we discuss where we are getting and so on. I would suggest that you allow me to take it under consideration and report to-morrow on that question.

The WITNESS: Please let me say a word on this point. The time of this committee is very valuable. They want everything put together as quickly as possible. With that idea I got this brief put together on what we are actually doing. If it is not sufficient, criticize it, tell me about it. There are

the points I have put together. What other things do you want to know? I cannot intelligently answer you unless you comment on and criticize that statement. That is a statement of what we are doing. In what way is it not sufficient? Please indicate to me and I will make it sufficient. I have got all the time in the world to come up before you here. I realize you people are busy.

The CHAIRMAN: I presume if we did that each member of the committee would have a different avenue to explore.

The WITNESS: That is all right with me. I want to help.

Mr. HARRIS: See that this witness gets the evidence as quickly as possible so that he can read it.

The CHAIRMAN: We will adjourn until to-morrow morning at 10.30.

The committee adjourned at 5.05 p.m. to meet at 10.30 a.m. to-morrow.

July 23, 1941.

The Sub-Committee met at 10 o'clock. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: We will call the committee to order. The witness this morning, as you know, is Brigadier Gorssline, Director of Medical Services for the Army.

Brig. R. M. GORSSLINE, Director of Medical Services for the Army, called:

By the Chairman:

Q. Have you any brief prepared, Brig. Gorssline?—A. Yes. You asked me for that.

Q. We are putting in this morning this document. It is already filed. All you need do is mark it. It appears in the record as exhibit 8. We are just filling in the gaps.

Mr. Sissons: There are two members of the committee not here yet, Mr. Chairman, one of whom is Mr. Harris.

The CHAIRMAN: I know. But the rule of the committee is punctuality. I think where we get a quorum we should proceed. Brig. Gorssline is here this morning for the purpose of completing the information which was asked for at his first appearance before the committee. As intimated to the committee later on we will undoubtedly be asking the Brigadier to return at the general summation stage of our inquiry. In the meantime I will ask the Brigadier to proceed.

The WITNESS: Appendix 9 I gave you belongs to this.

The CHAIRMAN: Let us get that cleared up. As I took it from you, Mr. Hill, that was referred to as an exhibit in the minutes of our committee when Brig. Gorssline was here.

The CLERK: It was not noted. I left a blank space for 8 to go in.

The WITNESS: That belongs to this report I am dealing with now.

The CLERK: Seven copies came and they were all distributed. The other exhibits filed by Brig. Gorssline were put in as exhibits 1 to 7. I left a space to conclude them as number 8 and we went on.

The CHAIRMAN: We will put in appendix 9 to Brig. Gorssline's summation and it will be numbered exhibit 8 referred to in evidence of July 23, 1941.

We might make a note that in the copies of Brig. Gorssline's files is a statement showing the establishment and present strength of the D.G.M.S. Directorate and this should be attached to and made part of appendix 2 of the

evidence submitted by Brig. Gorssline on his first appearance before the committee. The individual members may have a copy of that. Now you may proceed, Brigadier.

The WITNESS: Very well.

I have reviewed the evidence taken on July 9, 1941, and am herewith submitting the information requested.

1. Seven copies of my original script dated July 9th and appendices were requested, and were sent to the clerk on July 11th, 1941.

2. In the evidence on page C.5, the cost of construction of the permanent hospitals at Quebec City and Camp Borden was requested. The information supplied by the Director of Engineer Services is as follows:

Quebec Military Hospital (50 beds)	\$152,007.09
Camp Borden Military Hospital (75 beds)	\$121,304.23

By the Chairman:

Q. What does that cost include? Is that merely the building or the building and equipment?—A. That is the building alone.

Q. The building alone?—A. Yes.

Q. In each case?—A. Yes. Continuing:

3. The sheet submitted entitled "Cost of Equipment—Medical Units Initial Cost" was incorrect. A corrected one has been prepared and is herewith attached marked (Appendix VI). May this replace the previous one.

There were some mistakes in addition.

It is noted that relative to the evidence on pages D-6 and D-7 that there might be some confusion regarding percentages, percentage of troops and percentage of the different classes returned on medical grounds being two different things. For example, on page D-7 reference is made to one-quarter of our men coming back. The actual percentage of men being returned from overseas is not excessive. Of those returned on medical grounds up to February 1, 1941, there were 1,380 and the attached exhibit (Appendix VII) shows how classified and percentages of the classifications.

Q. The three big items are the brain and nervous system, the gastrointestinal system troubles and bone, joints and muscles, are they?—A. Yes.

Q. Genitol-urinary system is low—2.82?—A. That is right.

Q. Incidentally you suggest in paragraph 4 of this morning's submission, "for example on page D-7 reference is made to one-quarter of our men coming back". Then you suggest that the actual percentage of men being returned from overseas is not excessive. Does that mean that that 25 per cent is not correct?—A. Yes, sir. There are not 25 per cent coming back.

Q. And that statement before was not correct?—A. Was not correct.

Mr. Sissons: I understood that 25 per cent had reference to the 25 per cent of those coming back.

The WITNESS: Yes.

Mr. Sissons: And who were suffering from one particular disease.

The CHAIRMAN: Oh. It is not 25 per cent of the total?

Mr. Sissons: No.

The CHAIRMAN: That is fine. I wanted to get that cleared up in my own mind.

The WITNESS: The separation of the Medical Services—R.C.A.F. from R.C.A.M.C.—The question was asked concerning this separation, with special reference to medical officers, nursing sisters and other personnel. (a) Cause of separation—This was a matter of policy. All the conditions and circumstances taken into consideration, I am not familiar with.

By Mr. Gladstone:

Q. In that connection, there was some committee set up having to do with recommendations of policy, I presume. I understood that you were a member of that committee along with three other members?

The CHAIRMAN: We are dealing with that later, Mr. Gladstone, but that matter would not be included. You are referring to the interdepartmental medical service committee?

Mr. GLADSTONE: Yes.

The CHAIRMAN: That matter, I take it, was not one of the subjects referred to you?

The WITNESS: No.

The CHAIRMAN: However, we are bringing that up later so that you can then bring it forward.

The WITNESS: (b) The organization and equipment of the R.C.A.F. Medical Service could be obtained with accuracy from the Director of Medical Services, R.C.A.F.

(c) Every effort is made to prevent duplication of personnel and services by close co-operation. There must be, of necessity, duplication to some extent when more than one medical service is operating.

6. Cost of Patient per Bed and Comparison with Civilian Hospitals—Certain features of this cost are fair for comparison: e.g. Raw food cost, which will be submitted with this report and referred to elsewhere. The cost of medical attendance, nursing sisters and staff is difficult to compare. For instance, in civil hospitals outside doctors attend private patients and collect directly from the patient and this is not a hospital charge. The public patients are attended generally by outside staff gratis and the only cost being the internes and other civilian staff. In civil hospitals there are only a proportion of graduate nurses (the private cases paying direct for specials) and others are probationers or nurses in training. All R.C.A.M.C. Nursing Sisters are graduates and fully qualified. Cost of certain buildings or rental and overhead is outlined elsewhere relative to military hospitals.

By Mr. Hansell:

Q. Right there, Mr. Chairman, that would hardly apply to foodstuffs, and the like, would it? Your food costs would compare with civilian hospitals, would they not?—A. Yes, sir. We have a comparison a little later.

The CHAIRMAN: Your point being, Mr. Hansell, that the food costs treated as a separate item would be properly comparable?

Mr. HANSELL: Yes.

The WITNESS: That is compared in Exhibit No. 18.

Mr. SISSONS: The witness says that in paragraph 6. He says: "Certain features of this cost are fair for comparison; e.g. raw food costs, which will be submitted with this report and referred to elsewhere."

Mr. HANSELL: Oh, yes.

The WITNESS: Also, it is to be noted that many military hospitals have in the past been staffed by units which would eventually proceed overseas, and were in training in Canada and, therefore, their pay and subsistence should not rightly be a complete charge against the hospital they are staffing. Other branches of the army are held a long time in Canada for training purposes before seeing any active service while as stated up to the present a large percentage of R.C.A.M.C. personnel for overseas have been performing their

actual functions as part of their training in Canada. This was possible as the medical officers and nursing sisters in particular are already qualified for such duties previous to appointment.

A statement is appended (Appendix VIII) hereto showing the staff and costs for a typical hospital of 250 beds, assuming that the staff is maintained at maximum strength as laid down by the establishment for such a hospital.

By the Chairman:

Q. Just let us look at that for a moment, Brigadier, please. It is Appendix VIII, is it not?—A. Yes.

Q. This is based on a specific hospital, the Petawawa Military Hospital, is it not?—A. Yes, sir. That is the hospital at Petawawa, entirely built by the army since the war began.

Q. And that has a staff of officers, nursing sisters and— —A. Warrant officers Class 1.

Q. Why are they classed with the officers?—A. He is what you call a warrant officer; he is not quite an officer but almost that.

Q. And that is why he is classed in that way?—A. Yes.

Q. As to pay and allowances, those would be the pay and allowances of the local staff referred to as staff at Petawawa?—A. Yes, sir.

It frequently happens, especially in the earlier maintenance of a hospital, that all the officers are not of the senior ranks shown on establishment, and also the full complement is not maintained unless the hospital is running to capacity.

The estimated cost per patient is as follows for a 250-bed hospital:—

Cost of treatment and administration per patient per diem (Est.) . .	\$2.76
Drug cost per patient per diem (Est.) . . . . .	.10
Food cost per patient per diem actual May, 1941 . . . . .	.37

Estimated cost administration, treatment, food and drugs . . \$3.23

Naturally costs vary a little in the different types of hospital, some being hutments, rented buildings, tents, semi-permanent types of hospital, some being construction; also according to numbers of patients admitted and according to number of out-patients and specialistic reports required from hospital staffs.

It is to be noted that overseas units are only mobilized as required and authorized in the proper proportion to the other branches of the service. They are mobilized to set establishments approximating the British war establishments. Also, the Home War Establishments for Canada are taken on strength in accordance with definite authorized establishments which depend on requirements.

7. PER CAPITA FOOD COSTS FOR PATIENTS PER DIEM CANADIAN MILITARY HOSPITALS, CANADIAN CIVILIAN HOSPITALS AND AMERICAN MILITARY HOSPITALS together with system of feeding, accounting, and conservation.

There has been prepared a Brochure Exhibit (Appendix IX) herewith and a copy of such has been placed in the hands of each member of the committee. Reference this, I would make the following remarks:—

Method of Feeding:—

In December, 1940, the R.C.A.M.C. made a very progressive step in hospital feeding, and I am glad to say it has been an unqualified success.

Under the old system a small basic diet was used and supplemented by a number of extras to bring the caloric and vitamin value of the meal up to a certain standard.

The new system now in operation has only five diets, all of which are self-contained and require little or no supplementation. These new diets were brought into existence only after receiving the most careful consideration and advice, not only of the Consulting Board of this Directorate, but the advice and guidance of the best nutritional authorities available.

Q. You may have given this already, but who composes the consulting board of your directorate?—A. Colonel Graham, Professor of Medicine, University of Toronto, is the consulting physician. Colonel Archibald, Emeritus Professor of Surgery at McGill University, is the consulting surgeon. Lieutenant-Colonel Rankin, Dean of the Faculty of Medicine, University of Alberta and Director of the School of Hygiene of that university, is the Consultant in Hygiene and Public Health. Major Spencer is the consultant in Radiology.

Q. What facilities do they have for meeting, or how do they meet? Who is the chairman, the first named?—A. The chairman of that board is Colonel Davis, my deputy director.

Q. Are they called together from time to time?—A. They are called together whenever we need their advice.

Q. These gentlemen to whom you referred on that consulting board are in your office?—A. They are part of my staff.

Q. And are available to you?—A. Available to me at all times.

Q. Has that board been set up since the war started?—A. That has been there ever since I took over the director-generalship.

Q. When was that?—A. November, 1939.

Q. And they are available any time you need them?—A. The Board of Consultants is available for the army, navy and air force.

Q. What do these gentlemen do when there are no matters there which require their attention, do they have individual duties?—A. One of them, Colonel Graham, from Toronto, only comes down two days a week. He is employed in a civilian occupation.

Q. By the government?—A. He is professor of medicine, University of Toronto.

Q. Just for the committee's information, how would his remuneration be arranged?—A. We pay him full colonel's pay for two days a week and his travelling expenses from Toronto to Ottawa.

Q. And the others?—A. Colonel Archibald is on full time; all the others are on full time pay.

Q. Are they concerned solely with this consulting board?—A. No, sir. That is only one item of their duties. The radiologist reads all X-ray plates in this area.

Q. All right Brigadier continue.—A. The dietary principle followed by the R.C.A.M.C. places the sole responsibility for the dietary treatment directly on the medical officer who is handling the case. The diet is reviewed each day when his dietary treatment receives further consideration.

There are five diets. Liquid "A" contains 1,079 calories, mostly consisting of liquids. Liquid "B" diet furnishes 2,184 calories. Light diet contains 2,774 calories. Chicken diet contains 3,628 calories, while the ordinary diet contains 3,725 calories. So it may be seen that there is plenty of elasticity to meet all dietary requirements.

Q. Incidentally, what would be the caloric value of the rations furnished the individual, do you know?

Mr. Sissons: It is given in the next paragraph.

The CHAIRMAN: No, that is in the hospitals.

The WITNESS: No, sir, I think it is there. Continuing:

In most Canadian hospitals the maximum caloric value of the ordinary diet served to its patients averages about 3,000 calories, while it will be noted that the new ordinary military hospital diet contains 3,725 calories, or a diet containing some 725 calories more than is ordinarily received by the average Canadian hospital patient.

The CHAIRMAN: I recall Mr. Sissons that you called to my attention some reference you had read which gave the caloric value of the food served in the American army as compared with ours.

Mr. SISSONS: I saw an article in *Life* the week before last, I believe, which stated that the caloric diet of the American army was 5,000 and their cost per day was 42 cents.

The WITNESS: I could not say, sir, I am sorry. I could not tell you that. I know nothing about that.

The CHAIRMAN: Do you recall our figures, Mr. Sissons?

Mr. SISSONS: Our figures, I believe, are around 3,700.

The CHAIRMAN: For the ordinary soldier?

Mr. SISSONS: The ordinary soldier's diet.

By the Chairman:

Q. That would come under your directorate?—A. No, sir, the feeding of soldiers comes under the quartermaster-general's department.

Q. Would you not advise him?—A. We do advise him as to the caloric value of the diet but I cannot recall it now. I would have to get that.

Q. Would you be kind enough to make a note of that? I presume, Brigadier Gorssline, that in order to set up the caloric value it would not necessarily increase the cost?—A. Not necessarily.

Q. It likely would?—A. I would not say that it likely would.

Q. It is a question of choice rather than a question of quantity of food?—A. Yes.

Mr. SISSONS: I notice in the last war the gross caloric diet for the troops was 3,740.

Mr. PICARD: That is not for the diet of the troops in general.

Mr. SISSONS: Yes, that is for the troops in general. For hospital patients it varied from 6,150 for tuberculosis cases to 3,840 for ordinary active treatment cases.

By the Chairman:

Q. Can you tell us, Brigadier, whether in this war the tuberculosis patients have a specialized high caloric content ration?

Mr. SISSONS: These particulars are taken from Sir Andrew Macphail's history of the Canadian forces.

The WITNESS: We do not treat tuberculosis patients at all, sir; they are handed to the Department of Pensions and National Health and I could not tell you what rations they get.

The CHAIRMAN: Go ahead, then.

The WITNESS: In this regard I would like to point out that the type of patient treated in our hospitals is, before illness, strong and vigorous, and it is part of our policy to try and increase his caloric intake as soon as possible so that when he returns to duty a long process of special feeding is not necessary in order to bring him back to the physical standards required.

Weekly Diet Sheets

The proposed weekly ordinary diet in each Canadian military hospital is forwarded to this directorate from the hospital two weeks in advance, to be

checked and gone over so that the proper caloric and vitamin value can be watched carefully. Any suggested alterations are immediately forwarded to the hospital concerned, so that their menu may be altered accordingly.

Per Diem Per Capita Food Costs

While the dietary treatment of the patient must of necessity receive first consideration, it is important that the per diem food costs be watched carefully. You will recall my giving you the average per diem per capita raw food costs for the month of May, 1941, as 37·97 cents per diem.

Feeling it might be of interest to your committee, I have obtained for comparative purposes the per capita food costs in some of the other Canadian civilian hospitals, and also the average per diem per capita food costs in the American military hospitals. For your information I may say that the comparative figures submitted are all on the same basis, that being the per diem per capita cost of raw foods.

Food Costs, May, 1941

	Cents per diem
Royal Victoria Hospital, Montreal.....	42
Toronto Western Hospital.....	39·5
Ottawa Civic Hospital.....	42
Montreal General Hospital.....	39
Toronto General Hospital.....	36·9
Toronto Eastern Hospital.....	43·6
The average per diem per capita cost for American military hospitals is.....	66·28
Canadian average per diem per capita costs of Canadian military hospitals for May, 1941.....	37·9

By the Chairman:

Q. You will note there the very remarkable difference between the average American military hospital per diem compared with our Canadian average. Is there any explanation of that, Brigadier?—A. Yes, sir; that information was obtained through the Canadian Embassy in Washington on a telegram from myself. I got in touch with the Canadian Attaché in Washington and I asked him the question and this is the reply he sent: "Hospital draws standard ration plus 50 per cent of value of ration in money, T.B. hospitals draw rations plus 100 per cent in money—

Q. Not 100 cents?—A. No, sir. ". . . present standard ration is valued 44·19 cents, money is used to buy extras at the discretion of the medicals, therefore ration cost to the government per man per diem is 66·28 in ordinary hospitals and 88·38 in T.B. hospitals."

The explanation of that is this. The Americans allow their hospitals to draw the army ration and on top of that in cash half the value of the army ration; therefore, to start off with they have got 66 cents per diem whether they want it or not.

Q. Have you ever had an opportunity of visiting any of the American hospitals?—A. No, sir.

Q. I suppose it is difficult to ask your opinion on the advisability of the American situation?—A. I think the cost of food in the States is probably a bit higher than in Canada in some cases. That has something to do with it.

Q. I meant the implementing of hospital rations by this cash?—A. I do not fancy it myself. I do not think it is a good thing to put money in the hands of the O.C. of a hospital to spend any way he likes. That is just getting away from what we are all trying to do—to save money.

Q. Your opinion is that it would be better for us if improvement is needed in the ration to increase the ration rather than to implement it by money.—A. Yes, I do not like to give them the money to play with.

By Mr. Sissons:

Q. General Gorssline, I notice in the last war the cost of feeding—this is for overseas in hospital, diet scale A, tuberculosis patients, 52·041 pence per day, convalescents undergoing physical training 21·623 pence per day, active treatment costs 23·462 pence and military personnel 18·017 pence?—A. That is pence?

Q. Yes. Tuberculosis patients, 52 pence and for military personnel 18 pence. Any of these figures are not very helpful unless we know the type of patient being treated?—A. If you figure that out, 52 pence is 104·1 and 18 pence is 36 cents.

By the Chairman:

Q. It would be 104 cents a day?—A. 18 pence is 36 cents a day.

By Mr. Sissons:

Q. You have to average that up; how does it compare?—A. I think it is a little less now but the cost of food all over the world has gone up in the last twenty years.

By Mr. Picard:

Q. This compares favourably with the costs we have now of 32 cents for the army—it is 36, over there, 4 cents more over there.

By Mr. Sissons:

Q. I think we could draw the conclusion that our present costs are not out of line?—A. Absolutely, our present costs are not out of line. I think we are giving the troops a better ration and the patient in hospital a better diet without any undue increase in cost.

Q. Of course, there is one point about the comparison with the American hospitals, if that information is correct, that their minimum calory content is 5,000; that would make the comparison rather unfair to them?—A. Yes, it would make the comparison unfair.

By Mr. Picard:

Q. With regard to that article, I read the same article but it was not scientific matter; it was a reporter's views of the American army food and hospital food; it was not the report of a technician. We cannot vouch for its accuracy.

Mr. SISSONS: General, you have no information as to the caloric content of their diet?

The WITNESS: No, sir.

By the Chairman:

Q. Brigadier, that term "caloric content" is a much used word; that, I presume, is not the only essential of food value?—A. Oh, no, minerals for example.

Q. All of which must be taken into consideration?—A. Yes.

In considering this table, it should be remembered per capita food costs of the Canadian military hospitals include all sized hospitals, some as low as fifteen beds, and some in isolated places (where food costs are of necessity

high). Costs for preparation where small numbers of patients have been fed are naturally higher, while the costs of civilian hospitals used in the comparison in practically all cases are hospitals where they are feeding over a thousand patients and staff a day.

It is my opinion that the new hospital diets introduced into Canadian military hospitals are a distinct contribution to Canadian hospitalization, and as can be seen from the statement submitted, their cost compares favourably with civilian institutions which have been operating for many years.

It is pointed out that, during the last war the per capita food costs averaged in the neighbourhood of 41 to 42 cents and did not contain either the caloric nor the vitamin value of the new diets now in effect in Canadian military hospitals.

By Mr. Sissons:

Q. I have these figures for the last war; the average daily cost of the ration issued to the Canadian troops for 1917 was 14.14 pence and in 1918 it had risen to 14.92 pence?—A. I am referring to the cost of patients in hospital, not to the cost of food issued to the troops.

Q. Oh, yes.—A. It is the policy of the R.C.A.M.C., where possible, practical and economical, to feed the personnel within their own lines on the ordinary army ration.

However, in hospitals where the numbers of the staff do not justify the establishment and expense of a separate kitchen and staff to maintain the same, the personnel are fed on the ordinary diet, which has been found the most economical.

Conservation. The matter of conservation of by-products in Canadian military hospitals is receiving constant supervision. Surplus fats and greases over and above the kitchen requirements are either made into soap for use in the hospital, or handed over to the D. of S. & T. in the area, who look after all contracts for the disposal of the same. The same applies to garbage collection, waste paper, and other conservable commodities. All medicine bottles are returned to the dispensaries where they are sterilized and used again.

Through an arrangement with the Boy Scouts, medicine bottles have been collected throughout Canada, with the result that it has not been necessary for the medical services to purchase any medicine bottles during the last six months. In one small city alone, there were 10,000 bottles collected during the course of one month.

8. The grading of military hospitals as compared with civil hospitals—The grading referred to in the information requested is that set out by the American College of Surgeons. Our larger hospitals would grade satisfactorily, and the smaller ones could not be so compared as the American College of Surgeons classify on a basis, which takes into consideration not only the qualification of staff but also equipment and other facilities of larger hospitals.

In the military set-up we have hospitals of many types, permanent construction, temporary construction, tent hospitals, small detention hospitals, which smaller hospitals are not equipped like the larger hospitals nor is it necessary for the purpose intended.

9. Regarding the size of hospitals—The most economical size, provided the amount of accommodation is required in the locality, is that of the 250-bed hospital. It would, however, not be economical to establish any more bed accommodation than is necessary, taking into consideration the availability of D.P. & N.H. and civil hospital accommodation and the number of beds and type required. Also, in certain places only a small number of beds of detention type are required.

10. The question was asked relative nursing service cost. There are at present 437 nursing sisters in Canada. The pay for this number is \$2,194.20 per diem. There are 5,945 hospital beds in Canada, and, therefore, the cost of nursing service on the present basis is 37 cents per bed per diem. This does not include subsistence.

By Mr. Gladstone:

Q. Is this military, outside of the Department of Pensions and National Health?—A. Military only, sir.

Continuing:

11. Provision for checking the length of stay in hospital. A return is required at the D.G.M.S. directorate from every district showing all patients in hospital over 60 days. There are also two senior officers whose duty it is to inspect hospitals across Canada from all aspects and the length of stay in hospital is carefully investigated.

By the Chairman:

Q. Who are those two officers?—A. Col. Snell and Lieut. Col. Warner.

Q. Both making their headquarters here in Ottawa?—A. Their headquarters is in Ottawa, but they are travelling the vast majority of the time.

By Mr. Sissons:

Q. Do they inspect the length of stay in civilian and Department of Pensions and National Health hospitals as well as the military hospitals?—A. No. They inspect military hospitals only.

Q. You have no check on the length of stay in other hospitals?—A. We have a check in this way, that if our district medical officer, in the return he gets for the district, is of the opinion that his army patients are being retained too long in a civil or D.P. & N.H. hospital, he has the privilege to go to these hospitals and make inquiries as to why they are there so long.

By Mr. Picard:

Q. I suppose the D.P. & N.H. have a sort of check and survey over the number of days the men spend, as they are anxious to send them back to you as soon as possible?—A. The D. P. & N.H. have a check. They are, as you say, anxious to get them out as soon as possible. We do not have very much difficulty.

By Mr. Sissons:

Q. What worries me, though, is that the check of the D.P. & N.H. is a civil check, not a military check.—A. We also have the check of entering a D.P. & N.H. hospital to see any patients that we think are there too long and we exercise that privilege.

Q. What has been worrying me very considerably is this. The main duty of the medical services of an army is of course to care for the troops. It seems to me that they divest themselves of that duty and responsibility when they hand patients over to either civilian or D.P. & N.H. hospitals and do not follow the patients through. In this connection, as the length of stay comes directly into that picture, if the military medical service has not absolute control over that, do you feel that they are really carrying out the duty that is placed upon them?—A. That opens up a large question. We, as I say, have the privilege of entering D.P. & N.H. hospitals to see our patients and if we think they are there too long, our district medical officer has a talk with the head of the D.P. & N.H. hospital and suggests that perhaps these fellows should be let out a little before.

Q. What I feel is that you must have more than a privilege. You have a duty as to the health and treatment of the troops. If you hand a sick recruit over to any other authority, are you carrying out that duty? I do not want to press the matter unduly, but there is the matter of principle involved there that I feel very anxious about.—A. The principle involved I think is the fact that the army should be responsible for any illness of their soldiers.

Q. Exactly.—A. The minute another department is given the duty of caring for our soldiers, then it is out of our hands and we cannot help it.

Q. That is the point. Should that duty pass out of your hands?

Mr. PICARD: Is not the result or would not the result of that be just what we are trying to avoid, duplication of duties and duplication of costs? If we have accommodation in the D.P. & N.H. hospitals, is it not much better that we should leave our men in their hands rather than create new hospitals in that district?

Mr. Sissons: Yes. But what worries me is this. It seems to me that the very fundamental duty of the medical service of the military—

The CHAIRMAN: Of the army.

Mr. Sissons: —of the army is gone if they allow a sick recruit to pass out of their control.

The WITNESS: I believe the army should have complete control of its soldiers from the time they join until they are discharged from the army.

Mr. Sissons: Absolutely. But you are not having that under the present set-up.

The WITNESS: No, sir.

The Sissons: I think that that principle is so clearly established that I do not think it can be disputed.

The CHAIRMAN: But, Mr. Sissons, does it not raise the question that Mr. Picard brings up. You must have sufficient hospital space for all in the active service?

Mr. Sissons: Oh, yes. I am not raising the question at all of use being made of the facilities of the civilian and D.P. & N.H. hospitals. I think they should be made use of. But I do feel very strongly that in the use being made of these facilities, the control of the sick soldier must rest at all times under the medical services of the army, and that is not the case. That is what bothers me, and I feel that you are more or less heading for difficulties there.

The CHAIRMAN: Your idea would be to suggest that they make use of the Ottawa Civic, for instance?

Mr. Sissons: Yes.

The CHAIRMAN: And the soldier there comes under the care of a Department of Pensions and National Health doctor?

Mr. Sissons: Yes.

The CHAIRMAN: Or a civilian doctor who has contracted with that department to do the necessary surgical or other work? Is that not right?

Mr. Sissons: Yes.

The CHAIRMAN: Would your idea be that the military doctor should be in the Ottawa Civic?

Mr. Sissons: Should be able to follow his patient from the time he is admitted to that hospital until he is discharged, and to see that he gets the treatment that the medical officer desires he should get and that he should be discharged when the medical officer of the army thinks he should be discharged. We heard evidence here the other day that in hospitals of the Department of Pensions and National Health the stay of patients, ordinary pension

patients, was 50 per cent longer than the stay in ordinary hospitals. If that situation carries through, then there will always remain the suspicion that military patients may be kept in that hospital longer than medical officers of the army medical service would think advisable; and if they are, there is a loss of personnel to the army.

The CHAIRMAN: Yes. But it is not the 50 per cent merely in Department of Pensions and National Health? That is all inclusive, not only of army patients turned over to them but of men in that state where likely their hospitalization period would be longer.

Mr. SISSONS: Yes, quite. It may mean nothing. But what I would like to see—the fundamental principle is that no soldier should pass out of the control of the army. Once a sick patient passes out of the control of the army medical officer to any civilian authority, the army has not control there. It has neither disciplinary or any other control. I think as a matter of principle it is bad.

The CHAIRMAN: I think the Brigadier would be in complete agreement with that. Is that not correct?

Mr. HANSELL: It would mean you would have more army doctors in the Department of Pensions and National Health than you would have departmental doctors, because according to these figures that were given to us the other day, over half the patients in the Department of Pensions and National Health hospitals are troops from the army.

Mr. SISSONS: Yes.

Mr. HANSELL: You would almost turn the Department of Pensions and National Health hospitals into army hospitals.

Mr. SISSONS: I think you have to. I do not think you can have both civilian authority and the military authority dealing with personnel of the army. That is just simply a matter of principle, but I think it is fundamental.

Mr. PICARD: I am interested in the suggestion. I think the army should have supervision and check-up and control, but I wonder if we go to the extent of your suggestion, Mr. Sissons, whether we would not be duplicating personnel to a large extent and finally increasing the cost. I would be in favour of supervision and check-up and control to the extent of inspecting the hospitals and checking the patients and so on. That would mean a relatively small number of medical men to look after that. But I would not go so far as to suggest that the army men should take care of their men in the civilian hospitals or in the D.P. & N.H. hospitals, because there I fear it would mean duplication. The principle might be saved if you have a supervision and inspection.

Mr. SISSONS: I might be inclined to agree that army medical officers need not have exclusive control, as long as they have a measure of control and keep that patient a part of the army set-up. Of course, I do not want to develop it too great a length. I have rather broken into that on account of something in that paragraph.

The CHAIRMAN: Would that not impose a practical difficulty? Take for example a soldier whose case is serious enough to refer to a civilian hospital for specialist's attention. That specialist is in command of that patient of necessity. Is there any system that you can devise whereby an outside doctor only making a cursory examination or cursory inspection could say to that specialist, "This man should get out of here to-day," when the specialist says, "No, he should stay in here a further week."

Is there not a practical difficulty there?

The WITNESS: Yes, there is a practical difficulty. But we do not need to employ outside specialists very much. Most of them are connected either with

our hospitals or in the D.P. & N.H. now. If a man needs a specialist we send him to one of our centres where we have these men or send the specialist up there. We do not need to employ very many actually civilian specialists.

The CHAIRMAN: No. But I think Mr. Sissons is including the Department of Pensions and National Health branch.

The WITNESS: Yes.

The CHAIRMAN: Are you?

Mr. SISSONS: Yes. They are civilian, and I do not like to see civilian control over the army myself.

The CHAIRMAN: You think that the ideal would be that all men who joined the army or one of our armed services, during his whole army life, either in sickness or health, is under the direction and control and guidance and assistance of the officers of the particular branch of the service that he has joined?

Mr. SISSONS: Absolutely.

Mr. PICARD: That would be the best system if it were possible and if it was just as economical.

The WITNESS: I may say, gentlemen, that in the last war this question came up and it was partially solved by the army taking over what were then known as military hospital commission hospitals. We actually took the hospitals over and ran them. There was no duplication of staff at all. Then when we finished with them, at the end of the war, they were handed back to the pension department. That is developing your theory that the army look after their patients; and I would like you to know that that is what I think is correct. We should look after our patients. I think it is a responsibility that we cannot shuffle off on anyone else.

By Mr. Picard:

Q. You feel you could do it just as economically?—A. I believe so, sir.

By the Chairman:

Q. Let us take the field of plastic surgery. That is a field in which there are very few recognized specialists; is that not true?—A. That is quite true.

Q. I have in mind one individual who is not in the army. Under such a system should our soldiers be confined to the army?—A. No, sir. If we needed a man to do plastic surgery who was not in the army we have full authority to employ him any time we like; there would be no difficulty whatever.

The CHAIRMAN: But even then are you not injecting the civilian side of it into the picture?

Mr. SISSONS: No.

The WITNESS: He is employed as a civilian under our control.

The CHAIRMAN: What is the difference?

Mr. SISSONS: You have that military control.

The CHAIRMAN: But what is the difference? That plastic surgeon must be in command of that patient, and he is a civilian.

Mr. SISSONS: Oh, yes, for his professional services.

The CHAIRMAN: And for the length of time he stays in the hospital, and for the different treatments that are given him—everything about him would be in the hands of a civilian.

Mr. SISSONS: I think there is quite a difference. You do not then part with that military control which I feel is so essential?

Mr. HANSELL: Mr. Chairman, there is, of course, a general feeling that even after this war there will still be standing armies. Now, would the Brigadier care to express himself as to whether this committee should entertain any idea what-

soever of working toward or suggesting that the present D.P. & N.H. hospitals be turned over completely to the army and instead of having two simply have one under the direction of the army?

The CHAIRMAN: Of course, one difficulty is that the D.P. & N.H. are taking care of the old veterans who are out of the army,—Christie Street Hospital, for instance.

Mr. HANSELL: That is true.

The CHAIRMAN: Would you turn that over?

Mr. HANSELL: I am asking if there is any value at all in us considering such a thing. They are veterans of the last war but still they were soldiers just the same. Twenty years from now you may have a standing army but you may have soldiers who have fought in the present war just the same.

The CHAIRMAN: Your idea as I take it, is—

Mr. HANSELL: From now on to have one service.

The CHAIRMAN: And let the army look after category "E" men on discharge?

Mr. HANSELL: Yes.

The WITNESS: I do not think it is very good policy to mix your pensioner with your active soldier, if you can avoid it.

By the Chairman:

Q. That is a different problem?—A. That is a different problem. But I do think that coming back to this gentleman's question, the army should look after the active soldier. The other would require quite a lot of consideration.

By Mr. Hansell:

Q. I recognize that it would require a lot of consideration, but you certainly would not have any duplication of services then?

By the Chairman:

Q. The reverse has been suggested, Brigadier, that we would be wise, remembering that the Department of Pensions and National Health is a long-established department and will be with us then, now and in the future, to turn over the whole branch of medical services to the Department of Pensions and National Health.—A. Then you would have civilians running your medical service in the army.

Q. I am giving you the two viewpoints.—A. Yes, I understand.

By Mr. Gladstone:

Q. Your supervision of these soldiers would need to be more specific than in civic hospitals, would it not, for the reason that in the civic hospitals you have more definitely the element of private gain, professional or otherwise, while in the D.P. & N.H. hospitals you have government responsibility and supervision?—A. Well, all our patients who go to civic hospitals are entered under the Department of Pensions and National Health. The army, again, has nothing to do with them. If we want to admit a man to a civic hospital he is sent in and the local representative of the Department of Pensions and National Health is notified that the man is a soldier and has gone into this civil hospital, and the D.P. & N.H. take over the whole arrangement as to his hospital care and treatment.

Q. That would be comparatively easy in Toronto where there is a D.P. & N.H. hospital, Christie Street, or in London where there is the Westminster hospital, but there might be other points where soldiers would be in civic hospitals where there are no D.P. & N.H. hospitals?—A. Well, sir, there is a D.P. & N.H. representative, as I understand it, in each of a certain number of

areas in Canada. Canada is divided into areas, and there is a representative, and this representative is responsible for any soldiers who may be in civil hospitals in his area. He may be in a civil hospital in Cornwall, for instance.

By the Chairman:

Q. One thing I have been concerned with, from my army experience, Brigadier, is this. I will admit I have no solution, but I should like you to consider it. As I look back I recall the appalling waste of professional working capacity of the average M.O. attached to a battalion.—A. A battalion has about 970 men, and the average M.O. attached to a battalion, if he does his job properly, has not got much time to spare. If he inoculates his men, has his sick parade, does his sanitary inspection, makes thorough inspections of the barracks to see that they are clean and well-ventilated, inspects the cookhouse to see that the food is properly prepared, he has not got very much time to waste.

Q. My own experience was, and my information this time is, that human nature being what it is a doctor is inclined to allow his assistant to do a lot of that routine work which perhaps is not very interesting, from a doctor's standpoint.—A. That might possibly be true, but we are endeavouring to instruct them.

Q. I had this in mind, and I think Mr. Gladstone had it in mind too, that we have eliminated distance to a considerable extent, even domestic; that is to say, that to-day does not present the problem of taking a patient from Petawawa, let us say, to Toronto, which it presented twenty years ago. Even winter-time does not impose on the heavily populated centres nearly the same problem of transportation. That is correct, is it not?—A. Yes, sir.

Q. Have we rightly taken that into account in our set-up of medical and hospital services?—A. We have very much taken that into account.

Q. You are inclined more and more to use the centres where the best can be obtained?—A. We endeavour to do that wherever we possibly can. For instance, out here at Uplands there is an air force hospital of twenty-five beds. It is 17 or 18 miles from Ottawa, and before the last war they might have gone away. Now we just have a crash ward there and the serious cases are brought in, and that is done all over the country.

By Mr. Gladstone:

Q. The medical services for one battalion of 970 men consists of one medical officer and what additional help?—A. It consists of one medical officer who has twenty-one men trained in first-aid work. He trains these men himself.

Q. Are they orderlies or are the orderlies in addition?—A. They are known as stretcher bearers, and they also act as his medical orderlies.

By Mr. Picard:

Q. To revert to the suggestion of Mr. Sissons about control, I think the idea would appear to be that the army should have absolute control over all its cases. Now, if a system could be devised by which this could be done either by a transfer of certain hospitals from the D.P. & N.H. to the army, or otherwise, I think that would be a good system. I mean, of course, if it could be done economically. That would keep the army in perfect control of their men throughout the war. But the difficulty might arise, as the Brigadier himself suggested, where there are pension cases which should not be handled by the army. It would be difficult, as Mr. Hansell suggests, to transfer the whole system of the D.P. & N.H. to the army because then the army would have to look after the men of the last war, and I do not think that is the purpose of intention, nor would it fit into Mr. Sissons' suggestion.

Mr. Sissons: No. I agree that once a man is out of the army, the Army Medical Service should have nothing to do with him. And they should have nothing to do with pension cases. I think a man should be under the control of the army as long as he is in the army, but the moment he is out of it the army should have nothing to do with him.

Mr. PICARD: The difficulty would then be as to how to divide the work without duplicating it.

The WITNESS: It is not necessary to transfer a whole hospital to the army; you can transfer a portion of a hospital. For instance, there are hospitals that are built with two wings or separate buildings where one could be cut off from the other without any difficulty at all.

Mr. PICARD: The effect of the army doctors attending to all these cases would probably prevent the rising numbers of medical officers of the D. P. & N. H., because we have been told that on account of the war the D. P. & N. H. have had to take on quite a number of new men, which might be avoided. There would be no duplication if they were assimilated by the army instead of by the D. P. & N. H.

By Mr. Gladstone:

Q. What is the psychological effect of a uniform on a soldier who is sick? Would the attention given by the same doctor in civilian dress be better than in army dress?—A. I think the average soldier prefers to see the doctor in uniform. I cannot tell you why, but he thinks he gets a better deal. He thinks the civilian doctor does not take quite as much interest in him.

By the Chairman:

Q. Of course there is a type of case, Brigadier, requiring a specialist's care, and you simply would not be able to get those chaps.—A. We have provision to employ those specialists whenever they are needed.

Q. I think the minute you employ them you lose this control which Mr. Sissons speaks of, because the man you speak of would be under the control of a civilian doctor. Is there not a conflict which could not possibly be avoided?

Mr. Sissons: I have not in my mind explored the ramifications of that.

The WITNESS: I do not think any reasonable army doctor in command of a hospital or district medical officer would use powers of that kind to the extent that you suggest. I should think that would be most unreasonable.

The CHAIRMAN: I agree with you, but I do not believe you could ever give the army the authority to exercise that power. I rather suspect that the people of Canada desire that our chaps who enlist should receive the very best possible attention that the Canadian medical men can give. I think that is the minimum that our Canadian people expect the government to supply to our soldiers.

Mr. PICARD: This specialist, if he was under direct control of the army, might give more satisfaction from the army viewpoint than if he were under civilian control. They would have the same care from the specialist and the specialist would be under more direct supervision from the army.

The CHAIRMAN: Your specialist would not accept that control unless he were in the army, Mr. Picard. Mr. Sissons properly brought up the subject and it is one of the subjects that we have to consider.

Mr. GLADSTONE: May I ask just one related question? What are the regulations relative to a doctor with the rank of major or captain leaving military headquarters and motoring to his home city and attending patients, carrying on operations in a private capacity in his own practice which he has left?

The WITNESS: It is directly against army regulations. If he does it we do not know about it. If we do find out about it we take steps to see that it does not occur again.

Mr. HARRIS: Mr. Chairman, what was said with regard to what the people of Canada expect in the matter of treatment for those who are in the armed services is quite sound, but I make this observation: we are here as a committee charged with the responsibility of seeing that there is some economy in these war expenditures. That should be in front of you all the time, Mr. Chairman. Do not let ourselves get away with some generalities such as the one you just gave expression to. We know what the public want. It is not our job just now to go into what the public wants. Specific questions were asked here on July 9 from this department of the services. The question was asked if they could devise some economy in the conduct of this work and advise us to that end so that we could give some consideration to it. We asked if there was anything at all that could be improved on, looking at these things in a general way. We have had from July 9 to to-day and nothing of any real consequence has come from the asking of those questions. Those questions were designed in my mind when I asked them, Mr. Chairman, keeping that objective in front of us all the time, some economy in war expenditures. The answers that have been given this morning have not been given in a way that would aid this committee sitting around the table to find out somewhere where there could be economy in the conduct of this war expenditure. We are interested in knowing some place where improvements can be made. I lay that question in front of you as the basic question, and then I want to make this observation. Perhaps the Brigadier will answer the next question that I am going to ask. We are given to understand and we hope it is in effect and working, functioning, that there is a hospital committee consisting of the heads of the army medical services, the navy medical services and the air force medical services and D. P. and N. H., who sit down and collaborate one with the other in order to avoid overlapping, duplication and give the maximum of efficiency to these services.

Yesterday, Mr. Chairman, we asked for the production of the minutes of the meetings of that committee to see whether or not we can be of any assistance to that committee and whether that committee will help us in our main problem, the devising of some economies in war expenditures. I should like to ask this question at this stage, Mr. Chairman: How many meetings of the kind referred to, properly organized meetings of this committee, are held each month and how many has Brigadier Gorssline attended as head of the army services? What is the function of the committee? What are they doing and what are their policies?

The CHAIRMAN: May I say, Mr. Harris, that the Brigadier brought his file on that subject and as there is only a little portion of his formal statement left I thought he should finish it and then I intend to bring up the matter you have referred to.

Mr. HARRIS: All right, then, dismiss it for the moment. In answering that perhaps he will turn over in his mind the question that was asked on July 9: Are there any duplications in the service? There was also this question asked: Why were the air force services separated from the army medical corps? Another specific question which was answered in a general way this morning and which I object to most strenuously, Mr. Chairman, for the reason that if a question cannot be answered in a direct way do not try to generalize. When I asked the question I had in mind particularly the Christie Street Hospital, the Westminster Hospital and the hospital on the west coast, I think at Esquimalt, also the one in Halifax. The specific question that was asked was: Were they class A hospitals according to the American College of Surgeons

standards which are the standards for the North American continent. That was answered this morning in this way: they would grade satisfactorily. That is not a satisfactory answer to me, Mr. Chairman. Then, a specific question was asked with regard to the length of stay. A question was asked whether an officer was charged with the responsibility in all hospitals to see that men—to use the expression used on July 9—did not hang on and hang on and hang on in the hospital rather than getting back to army work. I should like to have that enlarged on if possible. Now, the witness was also asked to table the contract existing between the civilian hospitals and military hospitals and D.P. and N.H. hospitals in the different parts of Canada. Some of that information was tabled but it is not tabled in the order I should like to see it. I should like to get that information.

Now I should like to come to the point raised by Mr. Sissons. In my opinion he is sound in that but I would add this to it, if you will bear with me while I try to elaborate the point I have in my mind. The point was brought forcibly to me because of the deposition given by Brigadier Gorrslie a moment ago. The Brigadier was careful to say that he feels that their service should be charged with the responsibility of the active soldier. He reiterated the word "active" soldier twice. I am thoroughly in accord with that, Mr. Chairman. I think that the active soldier should be in charge of the army services as long as he is active. Yesterday we had evidence from D.P. and N.H. which led us to believe in a general way that they took charge of these men even while they were active. There does not seem to be any line of demarcation between the active soldier and the soldier when he ceases to become active.

In the brief which was given this morning on page 8 there appears the following: "The consideration of this therapy is more one for the D.P. and N.H., as all patients classed in category E are handed over to that organization for treatment." I presume the word "organization" refers to D.P. and N.H. If that is so then we have a line of demarcation, namely, when a soldier becomes category E in the opinion of the army medical corps he is immediately discharged from the army and turned over to the D.P. and N.H. for treatment. If that is the line then we ought to know. I am of the opinion that that line should lean towards the sick soldier even if he might become active again. That is a very important suggestion, and I should like to get it clear in my mind.

I am also of the opinion, Mr. Chairman, that we might give consideration to this idea. We might go so far as to say that an active soldier should be treated by the army medical corps and when an active soldier ceases to be active if it is found necessary that he has to be hospitalized for a period or over a fortnight or we should perhaps determine what period, then he should be called an inactive soldier if necessary to get him off the muster of the active forces. He could be discharged from the army, turned over to these other services and then reinstated again after he was rehabilitated and made a fit man. The general idea behind the suggestion is—

The CHAIRMAN: Would he get his pay and allowances while in the discharged state?

Mr. HARRIS: I will finish my statement and you can ask your question afterwards. I am not in the witness box. The general idea is that the active man in the army should be treated by the army medical corps and the army medical corps should only be charged with the responsibility of the purely active army and the minimum of responsibility as far as medical services are concerned should rest on their shoulders with regard to men that are inactive. By saying that I can see where the Department of Pensions and National Health would probably have more work to do. I can see what would happen in those departments where there is a short staff. The Brigadier says he has short staff in the medical unit particularly and Ryan of the air force said he

had a short staff. But the short staff could attend to active men in the army. The point of view emphasized by Mr. Sissons is to my mind worthy of a good deal of consideration. I think if the suggestion I make were adopted it would be at least partially met by saying that a man so long as he is active he would be a soldier and an active soldier and should be treated by his unit.

Mr. GLADSTONE: Would you consider a man with a broken leg inactive?

Mr. HARRIS: I do not know. The witness can answer that question. am not a witness. I do not know. Let me answer that in a general way. would say if there was an active organization over the head of all these services sitting down once a month and considering these problems as is done by the board of directors or a board of governors, as the head of all the medical services, great improvement would be made. We emphasize the word "hospital" too much. I think we should get back more to medical services. It is not the job of the army to run hospitals. Let us get back to medical services. The heads of all the medical services ought to sit in once a month as they say they do, and I am still interested to know if we are going to hear in a moment or two just what happens in that regard. If the heads of all the medical services could sit together once a month the questions raised by my honourable friend from Wellington to-day would be answered by that group, if they had it in their mind what you and I should have in ours, the matter of economy in war expenditures as well as the upkeep of the morale of the men.

We have in front of us this morning a chart which is called Appendix 8.

I do not speak for myself. I hope to go up and look over the Petawawa organization not only from this point of view but from another point of view which I have been asked to look into, namely salvage, and while I am there I would like to look over this military hospital. Before doing so, I would like to make one or two observations. Just looking at it as it is presented to me this morning, I would say first, that it could not be possible to provide water for the Petawawa military hospital of 250 beds for \$1.50, telephone service at \$6 a month for an institution of 250 beds is extremely low. I imagine there would not be much telephone service required. It strikes me that that could not possibly be right. It may be right, I hope it is. The other costs of maintenance are very low. I hope they are right. But I think they will stand some checking. The amount of coal necessary to heat a building that will house 250 beds— coal, I imagine, in Petawawa would cost about \$7.50 or \$8 a ton, 500 tons would be a possible figure, but apart from that I imagine there must be other units of cost in that, and I was wondering, Mr. Chairman, if the source from which these figures were drawn could be taken. That is to say, the details of these items, to give us a better idea.

By Mr. O'Neill:

Q. Is there a central heating plant there, General?—A. Yes. The hospital is on a central plant—I could not say whether the hospital is on a larger central plant or whether it has its own plant, I think it has its own. Petawawa is a very large camp, and there is not a central heating plant for the whole camp.

Q. What I meant was: is there a central heating plant for the hospital? There may be several other buildings in the immediate vicinity?—A. There is a central heating plant.

Q. If there is, the heating would be an awful lot cheaper than it would be to heat these buildings by themselves?—A. There is a central heating plant for the hospital.

Mr. HARRIS: I would like to finish my question.

By the Chairman:

Q. Appendix 8 is headed "Monthly". Could you tell us the exact month that that happens to be for?—A. No, sir, I cannot.

Q. Go ahead, Mr. Harris.

By Mr. Harris:

Q. The other question I would like to ask is this: is there any possible way of getting an estimate of the cost of administration? Perhaps some of that might be in pay and allowances. I can quite imagine that in the administration of a hospital of that size there must be some costs which would not come out of the army vote or pay and allowances vote. Could we get some idea of administration. When I make that statement, of course we must carry in our minds, Mr. Chairman, that there are no taxes or local improvements or otherwise which most hospitals have to pay. They do pay their local improvements and some of them pay general taxes, and the interest on investment are matters which you and I and the committee will have to carry in mind when we are studying these figures. I do not think it is a matter that we should ask the department to give us any figures on. At least, we should have the administrative costs and a break-down of those individual items if this is going to be of any use to us. It is not a very general statement. I wonder, Mr. Chairman, if I could get the answer to the first question I asked namely: is there any advice that you can give us where the system can be improved on and some economy might be devised?—A. I do not know that I quite understand your question, Mr. Harris.

Q. We are charged with the responsibility, Mr. Chairman, of examining into these expenditures, by the government so that real economies might be effected. To assist in that task—not to cross-examine, but to assist in that task—we ask in those that know, and we have one of them with us this morning, and we want to know whether there is any suggestion you have, any suggestion you can make to this committee where the system of looking after the medical services in all these departments and in all of their branches, of your branch particularly—is there any point where you might or where we might recommend on your advice some economy or some improvement?

Mr. GLADSTONE: Might I add to Mr. Harris' question a suggestion on one specific factor which might assist the brigadier in thinking about other matters. For instance, let us take up the matter of diet. Experts have been employed to study diet and as a result a diet list has been arrived at. Probably that in the first instance was considered by one department and possibly to quite a large degree the need for that department is not continued. I wonder to what extent the department does continue at full strength that may have been necessary at a certain stage and possibly may not be necessary continuously? I just give that as an example, perhaps leading not only an answer to that but to the possibility of the brigadier thinking of other departments where there may be expenditures continuing that are not necessary to be continued?

The WITNESS: That particular department consists of one officer who draws pay at all and one civilian who draws \$35 a month.

By Mr. Harris:

Q. Just to follow along my question. I would like to assist the witness in every possible way, and I want to quote an example of what happened in this committee and point out to him and to the members of the committee the difficulty. The Department of Munitions and Supply when they were asked a question, as I have asked a question of you now, sir: is there any economy that you could suggest that we might study in order that we can discharge our responsibilities in this committee? After due consideration,

the witness said, "No, I do not know of anything at all that you can do." Well, we might as well be discharged and finished. There is nothing we can do so let us go home. But, Mr. Chairman, there are things we can do—and let me prompt the witness, although I do not like the word prompt; I use it for lack of a better word—with this suggestion which comes from the suggestion of the hon. member for Wellington. We received from the department the information with regard to the purchase made by Munitions and Supply of ten million, what is it—

Mr. GLADSTONE: Sulphathiozole. The information that Mr. Harris is referring to is given in Munition and Supply release of June 18th, and the paragraph reads: "The pneumonia mortality rate in the armed forces has been greatly reduced by the use of sulphathiozole, ten million of which have been purchased during the last eight months."

By Mr. Harris:

Q. Ten million is a sizeable amount, and the Brigadier will bear me out in this that the research that is being carried on in all these products in the manner of handling pneumonia cases—

The CHAIRMAN: Perhaps the words "sulpher family" would be a good term.

Mr. HARRIS: There are three different kinds. I have forgotten my chemistry. Now, if they go out and buy ten million units, as a matter of fact, Mr. Chairman, someone in the Department of Medical Services must have sent that into the Department of Munitions and Supply.

The CHAIRMAN: I may say I have arranged with Brigadier-General Gorssline to have Colonel Jenkins, an officer of the department, to discuss that very point.

Mr. HARRIS: \$500,000 spent on X-ray equipment. Now, that is not put in front of us in an orderly way. These departments that you have asked to come before us have been giving us general statements—a general statement to you Mr. Chairman, and to the members of the committee may be quite nice but it is not worth while when we are charged with the responsibility of examining into actual expenditures. There is too much butter on the bread and we are not getting enough bread. We want the real bread in this case, the real meat of this subject—the facts and the figures—and then we also want to go a bit further and we want a little assistance from these men so that we can guide them and give them some help. Now, I come back to this question again: has the witness any suggestion to make on the question asked on July 9th: are there any ideas in the minds of the medical services where some economies might be devised and some services might be improved, bearing in mind our responsibility and that we are anxious to help out?

The CHAIRMAN: Have you got the point before you?

Mr. HARRIS: This appears in my statement on July 9th:—

Mr. Chairman, I presume that the Brigadier has a pretty good idea of the reference under which we are trying to work; that is to say we have specific instructions from parliament to examine into these matters to see if we can devise some economy. Now, in that regard if we are going to accomplish anything, the first observation I would like to make, Mr. Chairman, is that we must have the full co-operation of those with whom we come in contact, and I am satisfied that we are going to get that co-operation. So far I have observed only one witness who indicated to me that he did not know of anything whatsoever in his department which could be improved upon. While we are not a fishing expedition to find out steps that can be improved upon, still we are definitely charged with the responsibility of taking a broad view of the whole situation in Canada

and trying to define or lay down a policy or to advise the government to lay down a policy which in the end will make for the most efficient and most economical conduct of this task which the Brigadier is one of those charged with the responsibility of operating.

With that basis, I should like to put on the record a few questions. I understand, Mr. Chairman, that the Brigadier is coming back to us on another day.

The CHAIRMAN: Yes.

Mr. HARRIS: Perhaps, in the interim, he can look over the record and probably get the answers which I desire. The questions I have in mind, Mr. Chairman, have regard to no particular case but have regard to the whole Canadian set-up. The first point I wish to get clear on is this: it seems from the depositions made to-day that the R.C.A.F. have for some reason or other separated those that were serving in the ranks looking after this part of the work from the army and the naval section; I should like to have that elaborated upon not only as to why there was that separation but also as to what sort of an organization they have set up, what physical equipment they have in the different districts in Canada, and whether their personnel is a duplication of the personnel charged with the responsibility of looking after those who are in the army and in the navy, and so on. Then I went on with regard to the number of beds. But the question is. We have specific instructions from parliament to examine into these matters and see if we can devise some economies. Is there any suggestion from the department with regard to where we can help devise some economies or improvement on the system?

The WITNESS: Well, one way I think the system could be improved upon is if the committee which had entrusted to it by Hon. Mr. Power, the matter of investigating whether a hospital should be built in various places in Canada, were given just a little more authority and if all building of hospitals were referred to them for their advice, I think it would be an improvement.

Q. Would you perhaps answer this question at the same time; are there any duplications?—A. There are no duplications of hospitals in Canada that can be done away with. But there are locations in Canada where the army and the air force both have hospitals; but if you do away with one—the army hospital, for instance, the air force cannot accommodate the sick. A typical case is in the city of Calgary where the army have—Excuse me a moment till I get that.

The CHAIRMAN: While the Brigadier is looking that up, I might say this; and do not take this down, Mr. Reporter.

Discussion followed, not reported.

On resuming:

Mr. HARRIS: I want to make a statement, and I want this to go on the record. I am dissatisfied with the way the organization in these buildings and whatever department is charged with the responsibility of employing these people is helping us to do our job. The post office is closed at 4 o'clock in the afternoon. Messengers have gone home at 4 o'clock in the afternoon. You would think we were on a holiday down here. We are down here to do some work, Mr. Chairman. There is nothing doing here at all. The place is like a morgue. These men will have to extend themselves and work 16 and 16 hours a day until we get through. We are the important men around here and we want to get this job over with. I am not going to be a party to coming and sitting here at, as was declared to be by a very responsible citizen, a farce. Do not let the public get that idea, not because of members around this committee but the general attitude of those who are giving the services; and when I refer to them, I refer to the whole personnel of the stenographic staff, the clerks, men like the secretary of this committee, the post office department downstairs, the messenger service

and all the services which ordinarily go with parliamentary institutions. There are a lot of men around this building who are not working two hours a day. I think you ought to take a firm stand and see if we can prosecute this job and get on with the job. Really if you analyze the hours we have sat since we started—and I take the full responsibility for my absence; you know of it and why. I am sorry that happened. But I am not satisfied with the speed that we are making and the work that we are doing, and I want it to go on the record. I think something ought to be done to stir the thing up. Do not let us relegate ourselves into a farce on this tremendous task that we have undertaken.

Mr. O'NEILL: Just along that line, I should like to say something in connection with the post office. I see no good and sufficient reason why it should be necessary for me to do what I have to do every night. I do not see why I should have to go down here to the post office with my mail in order to have it handled that day. Just as Mr. Harris says, the post office staff has gone at 4 o'clock in the afternoon. I do not know what kind of arrangements they have got. There should be some different arrangements.

The CHAIRMAN: I rather think we should discuss that when we are in family session, because I think you will agree that is a matter of internal economy.

Mr. HARRIS: I wanted that to apply to everybody that was listening in this room.

Mr. GLADSTONE: I should like to say that I agree with Mr. Harris that every means should be employed to facilitate the work of this committee. We are not antagonistic to anybody in the service. We want to co-operate, to ascertain places where economies can be effected and to help to improve that service. But it seems to me that in many respects it is helpful that the public does get information of what this particular sub-committee is undertaking and doing. Parliament has voted the sum of \$25,000 for the expenses of this committee, and in some places that vote has been criticized. A prominent member of this committee, the general committee, said the other day that he estimated that already \$5,000,000 has been saved to the country in one way or another as a result of the work of this committee, or will be through the progress of the war, in suggestions that have gone out and through the feeling that there is somebody having an eye to the safeguarding of the money that the people are raising to help to carry on the war.

Mr. PICARD: Mr. Chairman, as far as what Mr. Harris has suggested about the staff here is concerned, I think it would be very easy to arrange with somebody to spread the staff. I mean, they have quite a number of permanent employees here who stay during regular office hours. There is no reason why there should not be a few of them stay from 9 till 4 and yet have the place open at all times. We do not want the whole staff to be here. There should be a couple of messengers at the disposal of the members of the committee and there should be at least one man in the post office in charge at all times. I have had the same experience as Mr. O'Neill has had. I went to register an important letter and had to lose time to do it outside the building. I think those services could be very well improved on. As far as our work is concerned, I think if any way could be devised by which we could have more reporters at our disposal, we might easily hold two meetings; I would not say three as I suggested at first. But we might at least have two meetings a day instead of one, if that could be arranged. As far as the other suggestion made by Mr. Harris is concerned, with respect to economy in general, I think he puts a great emphasis on economy and in that respect he is right and I am in agreement with him entirely. On the other hand, I might say we were asked to investigate every possible avenue of bringing about economies, but we were not asked to do that at the expense of efficiency of the service or at the expense of the quality of the medical services. On the contrary, I think parliament feels that medical

services should not be impaired by enforced economies. I am in agreement with him when he says that there might be ways in which officers of the different departments might bring about gradually some suggestions which would help us, but not at the expense of the quality of the services at all. We would not think of that for a moment, that any of our suggestions might impair the service. Far be it from us to want to do that. But there might be some suggestions that might be helpful. I might state on my responsibility as a member, that up until now the evidence has impressed me favourably, except maybe with regard to the question of purchasing supplies that we will have to go into very carefully. Outside of that, I may say right now that I have been very favourably impressed. Nevertheless, there might be some suggestions that might be made. I asked the D.P. & N.H. head to think about that. As far as I am concerned, I think the witnesses up to now have co-operated, and I am glad to be able to state that, to the fullest extent. I admit the difficulty there is for some of them to come and say, "You should suggest this and you should suggest that." That is our own responsibility. But if they would consider any possibility of suggesting something, it would greatly help us. There might be some suggestions forthcoming. There was one a moment ago by the Brigadier which might be very constructive, if we could know of that committee that has sat for a while concerning hospitals. All that might help us considerably in our work. But up to now I may state that I think that the witness we have had on hospitals and medical services very greatly co-operated. As far as I am concerned, I take the responsibility for stating that.

The CHAIRMAN: Incidentally, with regard to that matter raised with respect to arrangements of the house, frankly I am not enough experienced in parliamentary life to tell you what the custom is. But I suggest that you, Mr. Picard and Mr. O'Neill, discuss that matter with the general chairman of the committee, Hon. Mr. Thorson, if you would, on behalf of the committee.

Mr. O'NEILL: Mr. Fournier?

The CHAIRMAN: No, Mr. Thorson. With regard to this witness, we are getting near the closing time, and this is a very important question. We have yet to open up this question of this inter-departmental committee. I suggest we allow him to complete his formal brief which is only about half a page, so that we can get that into the record this morning. Then when he comes back to-morrow morning—the difficulty about this afternoon is that I have two appointments. I am always faced with that difficulty. I am seeing Col. Jenkins, one of Brig. Gorssline's staff, and another officer in connection with oil salvage.

Mr. HARRIS: To save time, why not have your chat in front of the other members of the committee, Mr. Chairman?

The CHAIRMAN: Because I would waste your time.

Mr. HARRIS: We will not stay if we feel you are wasting time. We would walk out on you quickly enough.

The CHAIRMAN: Frankly, I think we would still find further delays, because as is natural, we have all got our ideas. For instance, Mr. Harris has raised the point of economy. I am in agreement with him, of course. But I take this attitude, that because of the set-up of this committee we have, of necessity, to be concerned with the governing factors in order to pass judgment on any economies, and this is rather general, it is a background. It seems to me a necessity in order to form our opinions and to propose anything of value, that we must first cover that control picture.

Mr. PICARD: I agree with you.

The CHAIRMAN: I know, frankly, that I have learned a lot about the inadvisability of accepting the chairmanship of a committee as a result of this committee's work. But we all learn in the course of time. If you will, Brigadier, I wish you would complete your formal statement. I think you were at paragraph 15 on page 8.

Mr. Sissons: Paragraph 12.

The WITNESS: 12. Convalescent Beds—R.C.A.M.C. have two hospitals and one convalescent depot for this type of case. These institutions are not as elaborately equipped or staffed as our regular hospitals. Many men are permitted, where the distance is reasonable, to go to their homes for convalescence.

13. R.C.A.M.C. strength by districts attached as Appendix X is a table showing the strength in R.C.A.M.C. personnel by districts.

There is also attached as (Appendix XX) a Memorandum showing the breakdown of the Medical Services in M. D. No. 1 as per request of the Acting Chairman.

14. Herewith as (Appendix XXX) is a list of Military Hospitals with bed capacity of each by Military Districts, also percentage of beds to troop population as at July 10, 1941. This does not include Air Force Hospitals, which information could be obtained from the Medical Directorate of that force.

15. There is some Occupational Therapy carried on in our hospitals, handled by local organizations and cost not chargeable to the government. The consideration of this therapy is more one for the D. P. and N. H., as all patients classed in category "E" are handed over to that organization for treatment.

The CHAIRMAN: In the case of a person requiring occupational therapy would that not affect his category?—A. As a rule a person that requires occupational therapy has reached the category "E" stage.

Q. But not always?—A. Not always. And has been discharged from the army and handed over to the D. P. and N. H.

Mr. HARRIS: Mr. Chairman, I cannot allow that question to go by without challenging the statement that the cost is not chargeable to the government. I make this observation that I think you will find a great deal of the cost of research is paid by the government. I will just let it rest at that and examine into it later. I do not mean "cost" in the form of salaries or in the form of personnel, but I am of the opinion that the equipment which is supplied to the patients so that they might work as occupational therapists in the making of mats or other articles is paid for by the government.

By the Chairman:

Q. That would be correct, Brigadier, would it?—A. I am afraid I cannot give you that exactly. We have very little occupational therapy.

Mr. HARRIS: We sit here and pass on general statements and we know in our minds—

The CHAIRMAN: We are not passing it.

Mr. HARRIS: But we see it go by and we know in our minds that it is not just right; that is to say, it is right in a general sense.

The CHAIRMAN: You are right.

Mr. HARRIS: I will elaborate on this one point, because it arises in connection with other matters. In connection with occupational therapy they say the cost is not chargeable to the government, but where does the occupational therapist get her meals? I know where she gets them, because my daughter happens to be one, and I do not pay for her meals. She gets her meals at the hospital, and she gets good meals, too, because she has gained fourteen pounds in weight. But she is in the hospital and she gets her food and she is looked after, she gets her uniforms, and all the rest of it. So that the department really does cost something in the final analysis.

The Ontario Occupational Therapy Association is another profession which is arising in our midst, even as the nursing profession. They have their set of standards and they are exercising a great deal of control in our military hospitals. They walk in and say, "You shall set up this, that or the other thing,

and you shall supply so much cotton, so much wool, and this, that and the other thing, and the Board of Governors of the hospital—and in our case the military hospitals—will indent that, if not from the Department of Munitions and Supply, from the supplies, and that is the last they hear of it. The finished article, whatever it happens to be that is made by the soldier or by the civilian patients, is perhaps sold. And where do those funds go? The funds go back to the Occupational Therapy Association, and the government or the individual who is operating the hospital is paying, paying, paying, all the time. So it does cost something. I did not want to enlarge upon the point; I just wanted to mention it in passing.

The CHAIRMAN: Most absolute statements should be qualified.

Mr. HARRIS: They are rather definite sometimes.

The CHAIRMAN: Proceed, Brigadier.

The WITNESS: The question asked *re* library, recreation arrangements, swimming pool and cost. This is not provided by R.C.A.M.C., but full information regarding this could be obtained from the Director of Auxiliary Services.

The CHAIRMAN: Who is the director of Auxiliary Services?

The WITNESS: Colonel Deacon, I think; I am not quite sure of that name.

Q. What branch of the government would he be in?—A. He is in with the Adjutant-General's branch. I am not quite sure of his name. They may have changed, but I think it is Colonel Deacon.

16. The suggestion of economy by using civilian specialists. Every consideration has been given in the appointment of highly qualified medical specialists and a very considerable number of such specialists are already in the R.C.A.M.C. Active Force. It is obviously necessary that they be in the different units in the proper proportion, according to the function of such units.

It is believed that the services of specialists are more advantageously utilized on a full-time basis. The utilization of civilian specialists on a part-time basis is not expeditious; as their private patients demand their attention at all times and the specialists can, even when available, only be utilized in one locality. It is also to be noted that the specialistic services of the D. P. and N. H. are available in all large centres.

The CHAIRMAN: The last paragraph supports your contention, Mr. Sissons?

Mr. SISSONS: I think so.

The CHAIRMAN: Incidentally, who asked the questions *re* the library, recreational arrangements, swimming pool and costs? Was it you, Mr. Harris?

Mr. HARRIS: No. I was illustrating what might creep into the service, but not as to the library particularly. There is a tendency—I think the Brigadier will bear me out—in all that class of work to add all these extras which perhaps are not really essential and which to my mind should be provided by outside organizations without cost to the government.

The CHAIRMAN: Would the Committee think it advisable to ask that director?

Mr. HARRIS: I think we ought to know if there are such costs creeping into the system, particularly library costs, and so on.

The CHAIRMAN: Then we shall adjourn. You might keep in mind Mr. Harris' suggestion, particularly that one question which he asked. It is one you will likely want to think over, Brigadier, as to any recommendations, and we will give you the opportunity, of course, of giving that to the Committee in confidence.

The WITNESS: Yes.

At 12.45 o'clock noon the committee adjourned until 10.30 o'clock a.m. Friday, July 25, 1941.

Note.—The sittings of July 25 and 28 were held in camera.

July 29, 1941.

The Sub-Committee met at 3 o'clock. The Chairman, Mr. R.T. Graham, presided.

The CHAIRMAN: Gentlemen, we will call the committee to order. The witness to-day is Lieut.-Col. J. S. JENKINS, D.S.O., V.D., A.M.D. 3, called.

By the Chairman:

Q. For the benefit of the committee, Col. Jenkins, you might be kind enough to give us a brief history of your life, as it were, so that we can understand your background.—A. Well, I graduated from McGill in 1912.

Q. As a doctor?—A. Yes. I served during the years 1912, 1913 and 1914, as house-surgeon at the Royal Victoria Hospital under Dr. Birkett and Dr. Archibald who was chief surgeon at the Royal Victoria and Professor of Surgery at McGill. When the war broke out I was on leave. I enlisted and was sent to the Cogswell Street Hospital in Halifax. That was a permanent force hospital. Later on, in late November of 1914 I was transferred to become medical officer of the 24th Battalion in Montreal under Col. Gurn of Toronto. I went to France with him and was later transferred to the 5th Field Ambulance of Hamilton, Ontario. After serving a couple of months with them I was taken back to England for two months when the 4th Division was forming and was made Deputy Assistant Director of Medical Services of the 4th Division. I served with them until the fall of 1917 when I was transferred to headquarters in London as Assistant Director of Medical Services in charge of Army Medical Department 3. Some time towards the end of June I was seconded from the medical services to the Adjutant General's branch for special duty with Sir Edward Kemp, then Overseas Minister of Militia. There I rendered a report to the dominion government on possible economies that might be effected in the Canadian Medical Services in England and France. That report was rendered on the 29th of October, but when Armistice came along it had not been completely put into effect. I then returned to the medical services and was demobilized I think in February or March, 1919, when I became Medical Director of the Department of Soldiers Civil Re-Establishment in the Province of Prince Edward Island, and as surgeon. I held the appointment as medical officer, divisional medical officer of C.H.R., which I held up to the time I joined the army.

Q. And when did you join again?—A. I joined on the 1st of September, 1939.

Q. And from then on—I just want to get out your duties under the medical service?—A. Well, then I was unit medical officer for a brigade of artillery until I think the 26th of February, 1940, when Brig. Gorssline wired me to come up here. I took over the Department on Colonel Cameron's departure for England in July, 1940.

By the Chairman:

Q. The department was in charge of personnel?—A. No. When I first came up here the Brigadier's idea was that I could pinch-hit for any department. Finally I took this department over in July, 1940.

Q. Which is A.M.D. 3?—A. Supplies.

Q. Which deals with medical supplies?—A. Yes.

The CHAIRMAN: I might explain to the Committee that this last material which I have handed around is in a form that is the result of a misunderstanding. I suggested to Colonel Jenkins that he make a résumé of the information which he and I had discussed together. He took it that I meant to have it in the form of questions and answers. It is not inclusive of all our

conversation, but time did not permit to-day, when the Colonel showed me this, of its being re-drafted, and I suggested to the Colonel that we give this to the members of the Committee and that he deal with the questions in more or less narrative form. All right, Colonel Jenkins, you can proceed.

The WITNESS: You will want me to explain the set-up over there in the division of duties?

The CHAIRMAN: That is right.

The WITNESS: First of all, we have the Director General who is responsible to the Adjutant General. Under him we have the D.M.S. Then we have the departments—A.M.D. 1, which has to do with personnel. If a hospital is going to be established he works out the officers and other ranks, the number of captains, majors, sergeants, and so on, and he looks after promotions and supplies reinforcements for overseas. He has to do with all personnel.

A.M.D. 2 has to do with hospitalization; that is, the recommendation as to the bed requirements, medical boards and treatment.

A.M.D. 3 is my department, which has to do with supplies.

A.M.D. 4 is the matron-in-chief, who has to do with nursing services, and is really a sub-branch of one.

A.M.D. 5 has to do with hygiene and public health.

A.M.D. 6 has to do with embarkation.

Then we come to the consultants. The consultants are not consultants as you know them in peace-time; that is, they do not go and see a patient and consult with the doctor; they consult on all matters with regard to treatment. He may prepare a circular letter (the consultant surgeon), which goes out to all hospitals, dealing with the type of hernia that might be operated on, and the type that should wear a truss. It is a guidance for the staff in the hospitals throughout the country.

The officer in charge of A.M.D. 1 uses the consultants as well. He uses them in the selection of staff, although the Canadian Medical Association reported on the various doctors who had offered their services and also those within the service as to their capabilities. If A.M.D. 1 wants a surgeon and he is not completely satisfied that there is sufficient information on his file given by the Canadian Medical Association he goes to the consultant surgeon or the consultant physician, as the case might be.

A.M.D. 3, which is myself,—I use him. If a question of a piece of apparatus comes up, a surgical instrument, some dressing or some new appliance, I pass that to the consultant surgeon for his remarks. I do the same thing with the consultant physician in regard to a new drug, or on a revision of our scale of issue of drugs.

When I came into the department we had something in the vicinity of twenty cough mixtures many of them proprietary. It has been cut down to two or three now. The same way with linaments, ointments and so on. We do not buy any proprietary articles at all.

By Mr. Harris:

Q. Would that be in co-operation with Doctor Lancaster's department of the Department of Pensions and National Health? Would his advice be sought?—A. Well no, we use our own consultant, but we do use the Pensions and National Health. We use their analyst when we want something analysed, and we use the National Research Council in the case of a piece of apparatus that we want to have tested.

Q. Have you used the organization which administers the Food and Drug Act at all?—A. Oh yes. In fact, the Munitions and Supply who do our purchasing do not purchase anything that is not approved by the Pure Food and Drug people.

Then we go on to A.M.D. 5. A.M.D. 5 is in charge of Colonel Rankin, who is Dean of the Medical Faculty of the University of Alberta. He has to do with public health preventive medicine. I seek his advice on the source of supply of serums and vaccines.

By the Chairman:

Q. The Committee has already had the names, but you might indicate the names of the other consultants and what you use them for.—A. The consultant in surgery is Colonel Archibald. He was Chief Surgeon at the Royal Victoria Hospital and Professor of Surgery at McGill.

The consultant in medicine is Colonel Duncan Graham, Professor of Medicine, University of Toronto, and past-president of the Canadian Medical Association.

A.M.D. 3 is myself.

A.M.D. 4 is the Matron-in-Chief, Smellie. She was with the Victoria Order of Nurses before coming into the army and was a matron in a hospital in the last war.

A.M.D. 5, as I say, is Colonel Rankin, Dean of the Medical Faculty of the University of Alberta.

By the Chairman:

Q. And on any subject that is within the field of those consultant specialists you do use them for advice?—A. All the time, sir.

By Mr. Hansell:

Q. When you talk of using them for advice you do not mean in connection with individual cases?—A. No, but sometimes the members of the Board, when a man is boarded out of the army and placed in Category "E," or when his category is changed, he goes into the hospital and then that board comes up and has final approval of the D.G.M.S., but he does not do it personally; that is under a board which operates under A.M.D. 2. They may come down and seek his opinion as to whether the local board, we will say, in Nova Scotia or Alberta, were justified; whether he was not placed in too high a category or too low a category. They might consult him on that. Sometimes in Ottawa an individual case is shown to him. But he writes letters and gives advice on how to treat wounds, or new methods on wounds. He passes on appliances. He does see the odd individual but he is not a consultant in the same sense that he is in private life. He just does not see patients.

By the Chairman:

Q. To come back to A.M.D. 3, which is your branch.—A. Yes.

Q. Can you give us a brief summary of the duties assigned to that branch?

A. Well, it is really—

Q. I notice here it is set out on Appendix 1.—A. Well, supplying the medical equipment and apparatus, the scale of issue. For instance, in 1939 when war broke out we were working on the British scale, A.F.I. 1248. We found that was not adequate and when I came first into the department I suggested that scale be revised.

Q. I should like to have a brief history of that, because the history of this I think explains some of the things we were concerned with. Was that A.F.I. 1248?—A. 1248.

Q. Was in existence from when?—A. Well, it was in existence before the last war and it was revised in August, 1939.

Q. To what extent was it revised?—A. Well, I do not know. I think there were things added to it. I do not know how carefully it was revised. It is a war office form.

Q. That is a British list?—A. Yes.

Q. And we continued to use that?—A. Yes, until I think March of 1939.

Q. Tell us what was done as a result of your recommendation?—A. Colonel Archibald, with an assistant started to work on the surgical end of it. The consultant in radiology worked on the X-ray end of it and Colonel Duncan Graham revised the prescription end and Consultant A.M.D. 5, Colonel Rankin, was consulted with reference to vaccines and serums.

Q. Is that list included, Colonel Jenkins, in your submission?—A. Yes. Circular letter 81. It has not been printed in pamphlet form. You will find it there under circular letter 81. That is equipment of hospitals from 5 to 500 beds.

Q. What do you mean by circular letter 81?—A. Circular letter 81.

Q. I notice it is here under sub-heading of equipment home hospitals?—A. Home war establishment.

Q. Is that right?—A. Yes.

Q. I want to get this clear. I am asking what replaced the British list of drugs and equipment and I take it that it is replaced by what you have included in your submission under the sub-heading of equipment home hospitals?—A. Yes.

Q. Is that right?—A. Circular letter 81, yes.

Q. Where is circular letter 81? "The following amendments to D.G.M.S. circular letter No. 81 of 1940 are authorized."—A. Yes. We found after this went through that there were certain things we have changed, and that letter you have there is just an amendment. I think that has got to do with catheters.

Q. That is right?—A. Yes.

Q. Oh, I see your point. Then we turn as you say to letter 81?—A. Yes.

Q. And 81 you will notice contains a complete list?—A. Yes.

Q. Of all drugs and dressings and equipment furnished?—A. Yes.

Q. To home hospitals?—A. Yes.

Q. Yes.—A. Then after finishing that we started on 600 and 1,200-bed hospitals overseas, and that list did not go out as a circular letter. It went over—we started to equip new hospitals, that is No. 14 general, the last hospital that went over, under this Canadian scale, and it has been over there now six months or so, and from time to time we get comments on that and bring it up to date if there is any further suggestion as to equipment.

Q. I notice that circular letter 81 is dated December 18, 1940?—A. Yes.

Q. Is that the date that the old British form was supplanted?—A. Yes.

Q. By your new system?—A. Yes. There have been amendments come out since. You will notice in that circular letter 81 there are a lot of things that are there. For instance, physiotherapy equipment. That is only issued where we have a physiotherapist at the hospital. You will see other articles such as genital urinary apparatus, cystoscopes and things like that. They are given only when there is a genital urinary specialist. That is, we are not allowing the young fellows to experiment on the soldiers. That is equipment that is only issued if there are people in the hospital capable of using it.

Mr. PICARD: I am sorry, but we do not hear very well down here.

The CHAIRMAN: I guess you will have to speak a little louder, Colonel.

The WITNESS: All right. I am sorry.

Mr. GLADSTONE: I am not quite certain, Mr. Chairman, what order we are following. I am a little confused as to just what we are taking up first here.

The CHAIRMAN: Well, I am trying to bring out the thing chronologically, because of the confusion that occurred in the make-up of the presentation. I am trying to get chronologically the story of the running of Col. Jenkins' department. But he happened to get off on this, and I wanted to clarify it before we left it. That is the replacement of the old British pharmacopeia by the new up-to-date list prepared by the department with the advice of these consultants.

The WITNESS: Yes.

The CHAIRMAN: Go on, Colonel. It is difficult, as I say, by the fact that the Colonel misunderstood the suggestions with regard to the method of presentation that the committee generally had, in the form of a narrative story, and it was too late when we both discovered the error to correct it. So we will have to improvise here to bring this story out in a reasonably connected form. I think what you might do, and it will greatly assist the committee, if you will take your bulky submission and just go through it and indicate to the committee what your purpose was in including each subsection, and what each subsection has to do with it.

The WITNESS: Well, you will notice first that structure and maintenance of buildings is handled by the Royal Canadian Engineers. That is A.M.D.2 decides that they want more hospital beds. He talks it over with the director general and then he goes and puts his case up to the engineers and finally they draw up plans and as a result we have Camp Borden hospital or Petawawa hospital or whatever it may be. Then the beds and certain articles required for that hospital are supplied by ordnance. Then the food is supplied by the Director of Supply and Transport and then the medical supplies, technical and medical supplies and medicine are supplied by central medical stores on my recommendation.

By Mr. Picard:

How are they proceeding, or is that your department? How are they proceeding about these buildings? Do they ask for tenders or do they build them at cost plus or what?—A. I would not know. The engineers handle that. I could not say, but I think it is generally on contract. I do not think there is much cost plus work done.

Q. Your work consists of asking them for a specified number of beds—I mean a hospital with 200 beds and so on?—A. Yes.

Q. And then it is up to them to draw the plans and let the contracts and have the work executed?—A. Yes. But those plans are not submitted to me. They are submitted to A.M.D.2 who is in charge of hospitalization.

Q. The point was this. I wondered if the Canadian Engineers have a definite plan for all types of hospitals—for instance, a 200-bed hospital?—A. Yes.

Q. It is the same all the time, as far as possible?—A. Yes. You take a 250-bed hospital at Petawawa and a 250-bed hospital out in Nanaimo, and they would be practically the same thing. Sometimes permanent buildings are taken over on a rental basis. For instance, there is the hospital here known as Rideau Military Hospital.

Q. Yes. We visited that.—A. It has been taken over on a rental basis. Then we go to the third or fourth page there which says “medical mobilization equipment”.

By Mr. Picard:

Q. May I ask another question about the buildings? The representative of the engineers, I suppose, would be the proper authority to give us an idea of the cost of these buildings?—A. Yes.

Q. The per-bed cost of the different types?—A. Yes.

Q. They would be the ones?—A. Yes. I happen to know the cost in some cases, but I mean that is the engineer services.

Once the hospital has been completed by being built or taken over on a rental basis, then ordnance come along, without any questions or any requests from us, once the hospital is authorized they immediately—even a 200-bed hospital—issue ordnance equipment according to scale for a 200-bed hospital.

Q. Which is fixed in advance?—A. Yes. Once the hospital is authorized and ready the ordnance go ahead and put in their ordnance equipment.

Q. And that is 'standard equipment for all conditions?—A. Yes.

Q. And the purchases for that are made through whom?—A. That is through munitions and supply. But I come into it in this way, that a sample is submitted sometimes and if it is a question of a gatch bed or a fracture bed. I take the consultant surgeon down to see the sample. If he agrees with it, it is made a sealed sample and they are issued by ordnance, a certain percentage of gatch beds and fracture beds, according to the size of the hospital.

Q. As far as possible I suppose that this equipment is similar in each hospital? I mean, it is standardized?—A. Yes, it is.

Q. To your specifications, approved by you or by your technical men?—A. Yes. But you will come to some hospitals and you will find three or four different types of beds; months ago when things were rushed. You might have one painted brown and the other painted white. But there is a definite specification laid down.

By the Chairman:

Q. Before you leave that page, Col. Jenkins, it might be well if you kept in mind that this does not go on the record unless we read it into the record, except as an exhibit. I notice that you deal there with drugs and tablets. It might be wise to bring that fact to the attention of the committee.—A. Drugs and tablets are issued under circular letter 67. As I say, when I came into the department there were a great many proprietary things being used, so I went to Col. Graham and Col. Rankin and got them to revise the drug and serum and vaccine list. As a result, 67 specifies what drugs and dressings are used. The drugs and tables are used and then the hospital puts in a requisition for that through the district medical officer. It may be supplied by district stores or if district stores has not got it, they create another requisition and pass it to central medical stores for issue and supply.

Q. What stores are now at the district medical stores?—A. Well, pretty much everything. We have the main medical store at the corner of Albert and Lyon. There manufacturing is done; the repair department is there, the instruments are all there and a certain amount of things that are not bulky; the vaccines and serums are kept there and the narcotics are kept there.

Q. That is the central stores?—A. That is the central stores.

Q. I am speaking of district medical stores. I notice at the bottom of this page, "Only articles of medical equipment with a frequent turnover, such as clinical thermometers, scissors, forceps, are kept in stock at district medical stores". —A. For instance, we would not keep any laboratory equipment; we would not keep any sterilizers; we would not keep any X-ray equipment. We would not keep all that. But we would keep expendables, such as drugs, dressings, and a few scissors for replacement and things like that.

Q. They would be kept?—A. They would be kept at district medical stores.

By Mr. Picard:

Q. And the others would be kept at central medical stores?—A. At central medical stores.

The CHAIRMAN: All right.

By Mr. Gladstone:

Q. Where are central medical stores?—A. Central medical stores are in Ottawa. We have four different buildings. One is at Lyon and Albert; one is at Queen and Albert; the next one is at 383 Queen and the fourth one, we have two floors in the National Grocery Building down here on, I think, Doyle Street.

Q. There is no central medical stores, for instance, out in western Canada?—A. No. They are district medical stores. There are district medical stores in Victoria. There is one in Calgary, one in Regina, one in Winnipeg, one in London, one in Toronto, one in Kingston, one in Montreal, one in Quebec, one in Saint John and one in Halifax.

By the Chairman:

Q. Are those points that you have mentioned headquarters of military districts?—A. Those are headquarters of the military districts.

By Mr. Hansell:

Q. I should like to ask a question in connection with those four buildings that you mentioned in Ottawa. Do they belong to us or are they being rented?—A. I beg your pardon?

Q. I am speaking of the buildings that you mentioned that are in Ottawa, the four of them. Do they belong to us or are they being rented?—A. We have two hospitals in Ottawa.

Q. No, I mean the buildings.—A. They are all rented. They are obtained through the Department of Public Works.

By the Chairman:

Q. They are not owned by the government?—A. No.

By Mr. Hansell:

Q. It would suggest to my mind that there might be a slight inefficiency in having four separate buildings?—A. I quite agree with you. I think the staff might be cut and things would be more efficient if we had all under one roof. But unfortunately public works could not supply us with one building.

Mr. PICARD: Except, of course, in the case that we were bombed, where it might be an advantage to have separate buildings so that if one is bombed the other one will stay there.

By the Chairman:

Q. How many buildings did you have before the war?—A. Well, I was not in the service before the war, except in the non-permanent active militia. I think they only had one small building. I think there was a small expenditure, I am not sure in saying this—but I think there was only a matter of \$10,000.

Q. What was the vote last year, do you recall?—A. I think our estimates as put in at the end of the fiscal year were something like \$5,500,000.

By Mr. Hansell:

Q. Have you any idea what rent is paid for those buildings?—A. No. That is not submitted to us. That is all done through the public works. It can be obtained if you wish it, through the public works.

By Mr. Harris:

Q. I should like to ask the witness if he is satisfied with the efficiency or does he consider the present system efficient in the operating of the central stores? Has he any recommendations to make as to what might be done if it is not efficient, or do you consider it quite ample and sufficient?—A. Well, I do not consider it perfect and it is being improved all the time. There may be little weaknesses in it but we are trying to get them ironed out.

Q. What system of audit and what system of control is exercised over the goods after they are purchased by munitions and supply and turned over to

central stores?—A. Well, they are taken on ledger charge, and then as they are issued out, they are charged up to the district which they go to; then the district in turn, when they issue them out to a unit, charge them, and put on the unit's ledger charge.

Q. Is your present inventory in a satisfactory condition so far as audit is concerned—as far as a record of what is supposed to be on hand is concerned?—A. It was; the last audit was satisfactory.

Q. You would not know when the last audit was made?—A. I cannot give you the exact date. It is about two months ago, I think.

Q. If I told you that the books have not been audited for the year ending 1940—that is for the fiscal year ending March 31, 1941, what would you say? You probably know they have not been audited?—A. I know the auditors have been down there. I do not know whether they have completed their work or not. The auditors have been down there.

Q. They have not been audited, have they?—A. I do not know what they have been doing down there.

Q. They are not audited. Do you know whether or not, Mr. Chairman, the books are audited through to the end of the year, March 31, 1941? The point, Mr. Chairman, or the fact is that they have not been audited. That is the fact. But I would rather the fact come from the witness than from one of the members of the committee.—A. I do know that the auditors were down there and they were down there for two or three weeks. I do not know what they have done.

Q. Is there anything this committee can do to help you get your records in proper condition? You admit the records are not just the way you would like to see them.—A. We admit that.

Q. You admit that quite frankly?—A. Yes.

Q. Is there anything this committee can do, Mr. Chairman, to help in regard to that matter? Who is responsible for the unit?—A. The audit branch.

Q. The audit branch of what?—A. Of the Department of National Defence.

Q. Treasury Board has no control?—A. And the Auditor General.

Q. Mr. Chairman, has the Treasury Board any control over the audit?

The CHAIRMAN: Not in this branch, I would think.

The WITNESS: I beg your pardon?

The CHAIRMAN: The treasury branch.

Mr. HANSELL: The Treasury Board.

Mr. PICARD: The Comptroller of the Treasury would have control over it, but not the Treasury Board.

The CHAIRMAN: No.

Mr. HARRIS: Would he have any power to see that an audit was properly made, Mr. Chairman?

The CHAIRMAN: I could not tell you, Mr. Harris.

Mr. HARRIS: We are now approaching the first day of August, and the months of April, May, June and July are pretty well gone by—four months, and there is a year's record. Now Mr. Chairman as a matter of real fact they are not audited.

The CHAIRMAN: But you get my point, Mr. Harris. You may know about that; you may be correct.

Mr. HARRIS: I am correct. I looked at the books myself this morning after consulting first with you, Mr. Chairman, that I was going down to look at them.

The CHAIRMAN: But this witness is not able to tell you about that.

Mr. HARRIS: It is the responsibility of this witness, as I understand it.

The CHAIRMAN: Yes, I know. But he is not able to say it is not audited.

Mr. HARRIS: Why is he not able to say? He is administering this department.

The CHAIRMAN: Well—

The WITNESS: Well, all I know is that the audit people were down there.

Mr. HARRIS: That is not enough.

The WITNESS: And the report would not come to me.

Mr. HARRIS: Well, where would the report go to, Mr. Chairman? Who is the responsible officer in the set up? Who is responsible.

The WITNESS: Stores audit branch.

Mr. HARRIS: To see that the audit for the year ending March 31, 1941, is made?

The WITNESS: The audit branch.

By the Chairman:

Q. The audit branch of the Department of National Defence?—A. Yes.

By Mr. Harris:

Q. And there is no responsibility fastened on the witness?—A. If they do not want to come down, it is not up to me to run after them and tell them to come down and audit the books.

By the Chairman:

Q. I presume it would be Mr. Packman?—A. No; he has got something to do with it but there are three or four different auditors under his branch.

Mr. HARRIS: Mr. Chairman, is there any way in which this committee can help, because this state of affairs cannot go on? If we have any responsibility we should give notice and exercise it and assist in every possible way.

The CHAIRMAN: Our first duty should be to call a member of the Audit Branch before us to secure the facts.

Mr. PICARD: Have we any evidence to the effect that they have not been audited?

Mr. HARRIS: We only have that evidence from one of the members of the Committee. You cannot extract that evidence from the present witness; all he knows is that the auditors have been down there.

The WITNESS: That is not up to me; that is up to the Audit Branch.

Mr. HARRIS: What is the witness's title, Mr. Chairman?

The WITNESS: I am in charge of Army Medical Department 3, sir.

Mr. HARRIS: Do you not feel, Mr. Chairman, that this is the responsibility of the head of that service? What is your view of it?

The CHAIRMAN: My own view would be that this system of auditing, which I have examined into, is separate and apart from his duty.

The WITNESS: Absolutely.

Mr. HARRIS: Would it not be the witness's duty to know whether such-and-such a supply is on the shelf?

The WITNESS: Oh, yes.

The CHAIRMAN: We have to turn to the proper officer.

Mr. HARRIS: Is not it his duty to see that the auditor gets a statement in front of him so that he knows what is there?

The WITNESS: I get that from the officer in charge of the medical stores, sir.

By Mr. Harris:

Q. Have you any such record? The record, to my mind, is not an efficient record, it is not a satisfactory record, unless that record is audited.

The CHAIRMAN: I agree with you.

The WITNESS: Certainly.

Mr. HARRIS: Would the witness accept that record that was not audited?

The CHAIRMAN: No. I think the position is that we must take note of the obviously informed opinion which you offer to the committee and that the committee must then inquire of the proper officer in order to ascertain the facts and ask him to come before this committee to give us those facts.

Mr. HARRIS: I say this as kindly as I can say it: If the witness is responsible for medical stores, why have we got to go behind him to the auditor? Then we bring the auditor and go behind the auditor to the storekeeper, then to the bookkeeper, then to the clerk right on down to the messengers.

The CHAIRMAN: For a very good reason.

Mr. HARRIS: We look to the chief.

The CHAIRMAN: No; we would not want the chief to be responsible for the auditors; we want an independent audit of another character.

Mr. HARRIS: But the internal audit is not complete.

By the Chairman:

Q. Have you an internal audit of your own?—A. We have an audit staff down there, yes. We have our bookkeepers and our accountants.

Q. Well, there is a proper question. What has happened to those bookkeepers if they have not been able to do the work assigned to them. That is, keeping the books up to date?

Mr. GLADSTONE: Let me say, Mr. Chairman,—

The CHAIRMAN: Let me ask this question, please. That is a proper question to ask, because they are under your charge and control.

The WITNESS: Yes.

By the Chairman:

Q. What has happened with regard to the bookkeeping and record system that has caused it to get behind, if it is behind?—A. Well, I expect it is lagging a little bit. I would not say it is absolutely up to the minute.

Mr. HARRIS: It is four months behind at least, Mr. Chairman.

The CHAIRMAN: I am not speaking of the audit now, I am speaking of the records kept, your internal bookkeeping system?

The WITNESS: What you mean, Mr. Harris, is this, or what you are suggesting is this, that the vouchers and the requisitions are not up to date; they are behind?

By Mr. Harris:

Q. The ledgers are being written up for the months of April, May, June and July?

A. Yes, that is quite possible. That is true.—Q. There is page after page with not a line on it.—A. Because we have not got the staff.

Mr. HARRIS: There is the situation. Now, Mr. Chairman, if we are of any use at all we can by co-operation help this system by making some recommendation. This cannot go on, Mr. Chairman.

The CHAIRMAN: I quite agree, Mr. Harris, but let us get our minds clear. We are not now dealing with the audit, we are dealing with the system of records and bookkeeping. You say you require more staff?

The WITNESS: If you want to keep it up to the minute. I think you will find that probably in nearly every department in the Federal government.

Mr. HARRIS: No, I will not accept that statement, Mr. Chairman.

The WITNESS: It may be sweeping, but I can tell you that we have not got returns from certain other departments. We got the returns for food supplies from the D. of S. and T. for May; I do not think the June return is in. I think that happens to all departments. Things are going so fast. They have got the material down there to transfer into the ledgers but they are just behind. They can go and account for it.

By Mr. Sissons:

Q. The present situation is that you have no up-to-date record of the stores you have on hand?—A. Oh, yes.

Q. You have an up-to-date record in your office of the Stores on hand?—A. They may not all be on the ledger charged or entered but they are there on vouchers or in some other form, not transcribed into the ledgers because we are short staffed.

Mr. GLADSTONE: Let me say, Mr. Chairman, that there is a man working there with a ledger which ledger is supposed to record the supplies received and the supplies issued. That man is continuing to write up the supplies that have been issued, but the record of the stock on hand at the close of the last fiscal year—

Mr. HARRIS: March 31, 1941.

Mr. GLADSTONE: —has not been completed and stands on his ledger in lead pencil waiting to be verified so it can be written in in ink.

The WITNESS: That is right.

Mr. HANSELL: I think that is generally true. The matter that I cannot settle my mind on is that if this work has not been brought up to date and posted, how would you know definitely just what stock you have on hand?

The WITNESS: Well, for instance, if it has not been posted we have an invoice for it, and the invoices that have not been listed in the ledger, what is on the ledger is taken with the invoices and added to it. I can get that in half an hour.

By the Chairman:

Q. Supposing you had a dishonest person in there and when the auditors came in to check he deliberately concealed or destroyed invoices showing the receipt of certain medical supplies, would that not present a loophole that would be fatal to any proper check?—A. We would have a check through the Department of Munitions and Supply for what has been delivered to us, or we would have checks through other branches of what has been delivered to us.

Here is a suggestion that you might make, one which I feel is a good suggestion: that a new system of accountancy be installed and a bigger staff supplied in central medical stores, and no one will be better pleased than I will be.

Mr. HARRIS: I object to any new system being started now, for this reason. We had one system up to March 31, 1941; and then they swung over to another system which they have not got complete yet. They are using, as the member for Wellington says, a lead pencil figure for March 31, 1941, for the reason that they cannot take that figure in until such time as the auditor says it is O.K. Keep all that in mind, with the maze of material. I turn up here page after page of different kinds of drugs and whatnots, which have to be distributed across Canada. Cannot you see, Mr. Chairman, that unless this system is kept right up to the minute the whole department is going to get into a hopeless mess?

The CHAIRMAN: I would think so.

Mr. HARRIS: You had one system which was not too bad, in my opinion. You have changed now to another system—not much change—and the other one is not up to the minute by four months, and lead pencil figures are the starting point. Then keep all that system of book-keeping in your mind for a moment and then visualize the stock on the shelves. When you are visualizing the stock on the shelves, Mr. Chairman, keep this third point in your mind; that they do not seem to know when they last took a physical inventory of what was on the shelves, and there is no arrangement made for a definite physical inventory to be taken of what actually is on the thousands of shelves. Then there is this one statement from Major Holmes that we do it once a year.

The CHAIRMAN: Who is Major Holmes?

Mr. HARRIS: He is in charge of the stores. The result is that there is nothing clear-cut which would enable you, examining into the matter, to put your finger on. Now that is a situation which to my mind this committee can by co-operation and advice help out.

The CHAIRMAN: I agree.

Mr. HARRIS: We want these men who come before us to assume their full responsibility, and I am addressing the witness. I am not going to be a party to switching to his book-keeper or to the shortage of staff, if that condition prevails. Someone in authority should know about it and it should be corrected and corrected quickly, because this thing is growing so fast that we are going to be very much embarrassed. Let us correct it right now, if there is any correcting to be done.

The WITNESS: I agree.

By Mr. Gladstone:

Q. I should like to emphasize two points that have been brought out. Mr. Harris mentioned the maze of articles that are going through; the Chairman mentioned the possibility of dishonesty. My looking over the situation would give me the feeling that almost no amount of careful checking through vouchers, if there is a dishonest person in there, would prevent instruments or medicines disappearing. It would almost seem as though there were only one entrance and exit door. It would require the supervision of the employees which they have at the Mint to make certain that things did not walk off. I would think that there is a very inherent danger of pilferage. It may not be. The person may be perfectly honest and we have no reason to think otherwise.

By the Chairman:

Q. A Major Holmes has been mentioned?—A. Yes.

Q. You say he is in charge of medical stores?—A. Yes.

Q. What is his title?—A. He is the officer in charge of medical supplies, with the rank of Major.

Q. Would it be his duty to see that these books are kept up to date?—A. Yes, sir.

Q. How many of a staff has he?—A. A total staff, I think, of fifty-three.

By Mr. Hansell:

Q. That is not on the books?—A. No. There are two officers, some night watchmen and some stenographers.

Q. I think he has only about three book-keepers?—A. Yes.

The CHAIRMAN: I would think, though, that despite the volume of work, with a proper system of book-keeping which permitted of orderly recording day by day, three men could easily handle that task, could they not? I am just suggesting that.

Mr. HARRIS: There are four buildings.

The CHAIRMAN: Perhaps I am wrong, but a good deal of that would come in in substantial amounts.

Mr. HARRIS: It would go out in very small amounts.

By Mr. Picard:

Q. May I ask the witness if any representations have been made by him or people under him, such as Major Holmes, to other authorities requesting additional staff?—A. Yes; Major Holmes has on occasions asked for more staff and it was given to him, but now the establishment is laid down and it is pretty hard to get an increase now.

Q. Who would have the authority to pass on such recommendations?—A. That would be the Adjutant General, to whom the Medical Service is directly responsible.

Mr. GLADSTONE: It should be stated that Colonel Jenkins and his department are under a distinct handicap in having to work in four buildings.

Mr. HARRIS: Hear, hear.

Mr. GLADSTONE: Where they cannot work out an orderly system.

By the Chairman:

Q. Are there stores in each of the four buildings?—A. Yes, sir. That is one thing I have never been satisfied with, the medical stores. As Mr. Harris has brought out, it has been sort of a pain in the neck to me.

Mr. GLADSTONE: Having mentioned that handicap of four buildings, I do not think it is unfair to contrast what we saw at the Department of Pensions and National Health where for their work they seem to have room, and certainly one is impressed in the Department of Pensions and National Health with the system and order and with the ability to tell you almost instantly what stock there should be of a certain drug or article and to verify it as to whether—

Mr. HANSELL: We did not see their books.

Mr. GLADSTONE: No.

Mr. HANSELL: Their books may be further behind.

Mr. SISSONS: Is there any information available as to what staff they have?

Mr. HANSELL: No; we did not inquire into that. My own personal feeling is that while they are behind in their ultimate records, I do not think we should leave the impression that there is a whole pile of invoices stocked up somewhere waiting to be posted. My observation was that the invoices of goods received and sent out had all been posted, but the figures, the balances, have not been extended, so that right along from March 31 you could never tell by your records how much stuff you had on hand at a given time.

I should like to ask a question here with reference to stocktaking. It seems to me, at least, I am not altogether clear as to the differentiation between an audit of the books and an actual stocktaking or the taking of an inventory of the actual stock. It seems to me that there might be considerable discrepancy between what appears on the books and what might be on the shelves. It should never happen, of course, but I have taken stock a little bit and I have never known a time yet when there was exactly on the shelves what appeared on the books. An inventory is taken only once a year?

The WITNESS: Yes, once a year.

Mr. HANSELL: So I do not know that that means an awful lot. It means that you do have on paper at any given time, or you are supposed to have on paper at any given time, the amount of stock you have on hand.

Mr. PICARD: Yet with the present system you do not know it.

Mr. HANSELL: It may not reflect what is on the shelves.

Mr. PICARD: And the balances are not up to date either.

Mr. HANSELL: No, the balances are not up to date.

The CHAIRMAN: I did start to explore the whole audit system in army and in air by interviewing Mr. Packman and some member of the Auditor General's branch who has now been placed in charge of systematizing the audit system in air, but frankly, in the light of our task, I decided not to proceed with that branch of the inquiry at this session, but this matter now has come fairly before us. I think all we can do to-day is for me to take official note of it as Chairman and consider who should be the proper witness, so that we can be advised of the facts and find a way, as Mr. Harris suggests, to recommend changes and improvements in the whole system.

Mr. HARRIS: I should like to put one or two observations on the record, Mr. Chairman, not so much in a critical sense at all but in a constructive way. I am not trying to find fault. I have not been on any fishing expedition at all. But we have before us to-day the witness who is charged with the responsibility of supply, inspection, issue and disposal of medical equipment. I make this cold-blooded, blunt observation that that work is not being properly carried on at the moment. If I could do that kindly, I should like to say it in that way. But I implore you as head of this committee to make a note of that and let us sit in and help and get this on a basis that is more businesslike than the present one. That is the main observation I want to make. The next is that I realize the Department of Pensions and National Health has been established for perhaps the last twenty years and they have their routine; they have that distinct advantage. This organization is rather a mushroom growth; this organization is serviced—and I am speaking now of central medical stores particularly—by men in uniform largely who are not sure that they are going to remain in the building down here on Albert Street; they hope to be A1 men and perhaps shipped overseas. They are serving in the army and it is their objective to do something in the army; they are not clerks or employees in the same sense of the word as are those that are servicing the Department of Pensions and National Health, not to the same degree; with the result that this department is perhaps a little handicapped in that way. They have certain civilians working on the books as bookkeepers, and stenographers who are civilians, but the rest of the men I think you will agree with me are in uniform.

The WITNESS: Yes, that is right.

Mr. HARRIS: Where did the men in uniform come from? What is their background? They went in and they enlisted in the army medical services. In the wisdom of their senior officers they thought a certain man would make a likely looking chap to go down and take charge of the stores in such and such a place. He is not necessarily trained in that line of work. When questions were asked of the man in charge of the National Groceries Building down here, ordinary routine questions that anybody knowing anything about hospitals would ask—a very bright chap, energetic, hard-working fellow that wanted to do a job, but he just did not know; he just did not understand. He does not know what it is all about. He does not know what these plates are, or what these X-Ray machines are and so on. Yet he is working very hard and trying to do a job. They are at a distinct disadvantage there compared to pensions and national health, where perhaps the man in charge got there through the civil service examination and had to know such and such, had to have certain pharmaceutical standing before he got into pensions and national health, with the result that you have efficiency on the one hand and difficult operation on the other.

Leave that phase of it for the moment and let me lead your mind to another phase of the situation, work just fraught with all kinds of difficulties, namely the duplication of supplies, the purchase of supplies of the same kind, the

duplication of stocks of supplies on the shelves, of precisely the same kind, coming from the same manufacturers, stocked on the shelves in this building for the Department of Pensions and National Health, a tremendous supply stocked on the shelves in these other four buildings, supplies from one month up to a year's supply, purchased in the one case by munitions and supply and purchased in the other case through the purchasing agent by an agency of pensions and national health. I just state the problem. I am not suggesting any answer. That problem is placed fairly well before this committee, all that duplication all through. What applies there applies to the bookkeeping system as well.

Leave that phase for a moment and move on to the next one which was emphasized a moment or two ago, namely that you find it a distinct advantage to manufacture cough mixtures and medicines and so on because the cost was cut by less than half in many cases. All right.

The WITNESS: Yes.

Mr. HARRIS: All right. You found it an advantage.

The CHAIRMAN: By more than half, you mean?

Mr. HARRIS: By more than half.

The WITNESS: Yes.

Mr. HARRIS: Yes. In one case 12 cents a pound to a dollar a pound. You made it for 12 cents where otherwise it would cost you a dollar a pound.

The WITNESS: Yes.

Mr. HARRIS: I come to that next point of duplication. You find a well equipped laboratory mixing so many c.c.'s of this and so much powder, so many grams of the other and so on to meet a certain formula making up cough mixtures or making up standard drugs which are used. You find an exact duplication almost as far as space is concerned and as far as equipment is concerned and as far as personnel is concerned of what is happening in the Department of Pensions and National Health, manufacturing quantities of about the same at the present time of these standard medicines, in the building occupied by pensions and national health, an exact duplicate almost in the building over here on Albert Street, and a similar personnel. I make this observation in passing that the efficiency—and I happen to be an analytical chemist by profession, Mr. Chairman, and I know something of this; you will excuse that interpolation—of the operation and the carrying on of the operation over in the Department of National Defence is not nearly as orderly and not nearly as efficient—this is my own observation—as is the efficiency in the Department of Pensions and National Health. I can understand that. One is 20 years old; the other is 20 months old.

The WITNESS: Yes.

Mr. HARRIS: But there is duplication there. I just state the problem. They refer to the Food and Drugs Act and there is duplication again in Dr. Lancaster's department. Although I have not been down to see it, you can see it. Dr. Lancaster's department, which is operating the Food and Drugs Act, perhaps knows as much if not more about how this laboratory should be functioning and should have some say in control perhaps in how the other one should be functioning. I know that they do co-operate very closely with Dr. Lancaster's department in the Department of Pensions and National Health. Our friends over in the Department of National Defence are trying to do the best they can, but frankly they are not efficient and they are not doing a real job there, Mr. Chairman. Anything this committee can do to help the witness that is here to-day in straightening that out, anything that we may be able to do to try and break down that necessity of duplication, should be done. I am going to implore the national defence not to stick entirely to national defence, and see if we cannot in this little country of ours do away with this duplication. I can

understand that they refer to the British system and all that; but good heavens, Mr. Chairman, Britain is five or six or seven times as big as we are in these things, and they have always had a war department that has been carrying on in peace time. We quit working when the war ceased in this country.

The WITNESS: That is right.

Mr. HARRIS: They did not quit over in Britain. They carried on their department and carried through. If we turn around in the Department of National Defence when we are in a war and we suddenly are going to build up a service, one hundred per cent of all the services, without any reference one department to another, I think we are making a little bit of a mistake. The officers in charge of pensions and national health do not know the names of the officers in charge of the same laboratory four blocks away. They do not know who to tell us to go and see from one building to another. The officers in charge of the Department of National Defence who are doing precisely the same work do not know the names of the personnel and there is no intimacy between the two laboratories doing precisely the same thing, where the money is coming out of the same pot. Let us see if we cannot get a little closer co-operation. I am just stating the problem. I wanted to put it on record. Anything this committee can do, Mr. Chairman, to help out, I am sure we will be very happy to do.

Mr. GLADSTONE: It may be said that national defence is a huge operation that has come upon them suddenly—and that is true; and it is true that in a few centres there is a large concentration of men. I was just wondering if the number of places that had to be served by the Department of Pensions and National Health might not even be equal to the number of places having to be served by national defence, for the reason that the Department of Pensions and National Health has not only the returned men's hospitals of which we know over the country, but they have also the penitentiaries; they have the mounted police services over the country and they have the Department of Indian Affairs throughout the country.

The WITNESS: No.

Mr. GLADSTONE: So they told me this morning; and we saw boxes at the D.P. & N.H. ready for shipment to Indian agencies.

The WITNESS: They may be getting something for them and making repayment; but they do not administer medical services of the Department of Indian Affairs.

Mr. GLADSTONE: They probably supply the medical supplies.

The WITNESS: Yes; some, but not all. They may supply them with some.

By Mr. Gladstone:

Q. Do I understand you to mean that the Department of Mines and Resources may have a medical department too?—A. Yes.

Q. Another possible duplication of medical services?—A. As a matter of fact, one of these men from mines and resources, medical men, is on our staff.

Q. We might find out, Mr. Chairman, how many of the services of the government have medical departments.

Mr. HANSELL: I think that would be a good idea.

The WITNESS: If I may say so, not only in stores and supplies is there duplication; but we will go down to Debert and we will see the air force hospital and it may have vacant beds; a few hundred yards away we have a 500-bed hospital there with vacant beds. I think we should have medical services which would take care of the army, navy, air force and everything else. I think there is a duplication.

The CHAIRMAN: We must keep in mind, of course, while it would be very interesting and you can, as members of parliament, inquire into the Department of Indian Affairs, that of course is not a war expenditure and one that we have

not got to deal with. However, I have made a mental note of the problem and we will make inquiries. As I say, it comes into the question of supply which we have not opened up yet. But it is a very important thing and has been brought before us and we could not do otherwise than to find out the facts and find out what can be done to remedy it.

Mr. HARRIS: Might I put one further sentence on the record, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. HARRIS: I had hoped that we might develop our work far enough to have an informal meeting with the Ministers of the Crown who are responsible for all these services and sit down and let us listen to them and perhaps lay our program before them later on.

The CHAIRMAN: They are the final court, you mean?

Mr. HARRIS: Because after all, one word from a minister to any of us, including the Department of National Defence, would go a long, long way.

By Mr. Hansell:

Q. Before we leave the matter of audit and inventory, Mr. Chairman, I wonder if the witness would mind telling us what happens when the audit is taken and it is discovered that the balances of supplies on paper do not correspond with the supplies that are on the shelf?—A. There would be a court of inquiry.

Q. It does not make any difference whether it is a pill or whether it is a bed or whether it is an X-ray machine; if the audit is not made until six months after the close of the year and then it is discovered that the audit does not balance with the inventory I can see difficulty arising even with the work of an inquiry. How could you trace it?

Mr. SISSONS: It is pretty hard to court-martial anybody.

Mr. HANSELL: It is pretty hard to trace the thing. Suppose an X-ray machine was missing for instance.

Mr. PICARD: Did anybody ever suggest to the higher authorities in the department that inventory should take place more than once a year? Usually in business—I may not be right in this—I think inventories are taken much more often than once a year.

Mr. HARRIS: Thirteen times a year.

Mr. PICARD: Usually it is once a month.

The WITNESS: I think in all government departments it is once a year.

By Mr. Picard:

Q. In all government departments?—A. Yes, I think so.

Mr. SISSONS: Mr. Chairman, on this question of supply I am very doubtful whether we should even get into this. I feel that this whole question of supply, not only in this department but probably in the other departments, opens up such a big question and is so co-related with other problems, with the questions of audit and so forth, that I am afraid we are going to bite off more than we can chew—during this summer, anyway.

The CHAIRMAN: Mr. Sissons, I thoroughly agree with you, because I formed the opinion in my own mind that we could not at this summer session open up supply; but I think now that this concrete case has come up, this committee should take the time to find out about it.

Mr. SISSONS: Yes. But the point is where does this concrete case lead us to? It has such wide ramifications we could sit here daily from now until Christmas and still find work to do.

The CHAIRMAN: Yes. We will have to keep in mind the schedule of time. But I am in complete agreement that the thing is concrete and definite and that we should take some time to find out about just this particular problem and see if the committee can recommend or assist in finding a better method.

Mr. Sissons: We may be able to give some assistance but I am doubtful in my own mind whether we can go far enough to evoke any satisfactory conclusion.

The CHAIRMAN: That is right.

By the Chairman:

Q. Colonel Jenkins, you mentioned that the auditors were down there?—
A. The auditors. I do not know how many there were.

Q. Do you know any one of them? I wanted their names.—A. I will find out.

Q. You do not know?—A. No.

Q. Was Mr. Packman there?—A. I do not know. I could not tell you. I will let you know.

Q. All right.

By Mr. Sissons:

Q. Do you know when the last stock-taking took place?—A. Well, that was the end of the fiscal year.

Q. About the same time as the audit?—A. No. The audit was previous; they were there in December.

By Mr. Picard:

Q. Is not the practice of most business concerns to be able to say more or less approximately at all times what their balances are, whether they are favourable or not?—A. Yes.

Q. And what their inventories are and what they have on hand and what they have issued? Is that not usually the case in the average business?—A. That is right.

Q. They have a monthly inventory?—A. Yes.

Q. From what I can see now, we do not even have a yearly balance yet; but most business concerns would have that on a monthly basis. Do you think it is a sane administration for a department so vast as national defence to overlook a thing like that?—A. Well, I would not like to speak for the whole Department of National Defence and all departments of government.

Q. No, but for your section?—A. It has been customary for years and years for them to have only an annual audit, as far as I know.

Mr. HANSELL: I think the difference is simply this, that in private business you are operating either at a profit or at a loss, and you have got to know at any given time whether you are in the red or not.

The WITNESS: Yes.

Mr. Sissons: The same thing should be done in the government.

Mr. HANSELL: Yes, it should be. But it is not a matter of profit and loss in the government.

The CHAIRMAN: Frankly, I think perhaps we had better go on. We can approach that problem of pure accounting and find out the facts, as I say, from the proper source.

Mr. GLADSTONE: I think probably the Colonel has found some things in connection with the business side which have had to be overlooked or deferred in the interests of speed in this effort, and that new demands have been thrust upon the department day by day, and the essential thing was to get the supplies for the hospitals speedily.

The CHAIRMAN: Yes. I think that is right. We will go on, Colonel, and get your formal brief here in. I think we are at purchasing there—no, we are at central medical stores.

Q. Dealing with that I see, "Under the Canadian system one central medical stores is operated for all three services." That is correct, is it not?—A. Yes.

Q. Will you continue to go on through this and draw to our attention the important points that you have placed in this brief so that we can get it on the record?

Mr. PICARD: Where is that? What section is that?

The CHAIRMAN: It is at the first page under the heading "Central medical stores".

Mr. PICARD: I see.

The WITNESS: Well, contract demands are created from central medical stores for apparatus and expendable drugs and dressings.

By the Chairman:

Q. That is determined by establishment, is it not?—A. No. That is determined by requirements.

Q. Are not requirements fixed by scale of equipment and scale of medical drugs?—A. Yes, for a hospital.

Q. But not for units?—A. Yes. We will take a battalion. It has a certain amount of equipment on it, laid down for it. So has a brigade of artillery. So has a field ambulance. So has a casualty clearing hospital. So has a C.C. Station hospital.

Q. That is what I wanted to get at. You said "No." What services do you supply that are not fixed by a set schedule?—A. We supply the Air Force.

Q. You supply them?—A. Yes, but we do not pay any attention to their establishment. They come and make a requisition for it and we issue it to them out of stock on repayment.

Q. And you do not check their establishment at all?—A. No, we give them what they wish, and we give the Navy what they ask for.

Q. You give the Navy what they ask for?—A. We have got no control over them; we purchase for them on repayment, the same as the Indian Affairs might buy from the Pensions and National Health.

Q. You are merely their agent?—A. That is all.

Q. Getting supplies and distributing them to them?—A. Yes.

Q. In the Army, what is the system of check? I think you have already told us that the unit indents from the District Medical Stores?—A. Yes.

Q. He would check that, would he?—A. The district medical officer, when an indent comes in from a unit medical officer, takes that and sees that what he is asking for is according to scale and that the amount is not excessive. Then he issues that from District Medical Stores. If it is a piece of apparatus that is not carried in District Medical Stores, the requisition comes through from the District Medical Stores to the Central Medical Stores.

Q. And if fresh supplies are wanted the District Medical Stores would requisition from you, the Central Medical Stores?—A. Correct.

Q. What system of check is there to see that units do not get more than is sufficient and see that District Medical Stores do not get more than is sufficient?—A. The check on a unit is a matter for the District Medical Officer, and the check on the District Medical Officer is when our inspecting officers go there. We give them pretty well what they want. For instance, in one case they requisitioned for a large number of ephedrine tablets. One of the chief uses for that is asthmatic cases. It is an anti-spasmodic. We were asked for several thousand tablets. Well, that was ridiculous. We cut that down and called the D.M.Os. attention to the fact that he should check on it.

Q. On the ground of what, that an asthmatic soldier should not be in there?—A. Naturally, yes, but it has other uses, not to the extent of the number of tablets they would ask for.

Q. On your district indent, do you check those carefully or does somebody check those carefully?—A. When a requisition comes in from a district for supplies to the District Medical Stores they are checked by us. But we may not know. You take down in Halifax, what would be a reasonable amount for M.D. 12, which is Regina, and a small district, would not be nearly enough for Halifax, because we supply the Navy down there, we supply the equipment for sea transports, and it is a big district with a lot of troops moving through there, and they consume an awful lot more than perhaps M.D. 12.

Q. What system have you for checking the bookkeeping system and the inventory of District Medical Stores?—A. That is all under district jurisdiction, sir.

Q. No, no, but is there no system in your branch which checks that?—A. We can tell you what has been issued. We get their ledgers.

Q. Have you no officials who travel about and check to see that district stores are being carried on properly?—A. Yes; that comes under the Inspection Branch.

Q. Who does that?—A. Colonel Snell is head of the Inspection Branch, and Colonel Warner—

Q. Is he under you?—A. No.

Q. Who is he under?—A. The D.G.M.S. That is a separate branch.

Q. What do they call it?—A. The Inspection Branch.

Q. Would that Inspection Branch check the records?—A. Yes.

Q. And take an inventory of the stock?—A. No, the district auditors do that.

Q. I am speaking now internally in your department?—A. When the inspectors go out they go down and check and go over the ledgers and then come back and make a report to the D.G.M.S.

Q. Would they not of necessity, to give a proper report, have to check what is in the stores?—A. No, they do not make a detailed check every time they go to stores. Their ledgers come up to Packnam for audit once a year.

By Mr. Hansell:

Q. Who takes the inventory?—A. A Board of Survey. That is purely controlled by the district. It is a district matter.

Q. In connection with the purchasing and the transportation of equipment, of course I quite understand how much of your purchases would perhaps be made in Ontario or in the Eastern States, but supposing you made some considerable purchases in the Maritimes or in, say, British Columbia; would those purchases be sent here?—A. No, not necessarily. British Columbia and the Maritimes are not manufacturers. Most of the houses are in Central Canada. There are a few things, for instance, in British Columbia, like magnesium sulphate, that cost out there a cent and a half a pound, and where the freight on them from here would be about four cents a pound. Then there is the question of alcohol. That is bought from one of the distilleries in British Columbia. In the Maritimes there are no distillers and that would probably go from Montreal.

Then on the question of equipment, supposing there is an order given to Fisher and Burpee in Winnipeg for an X-ray from the Munitions and Supply, or perhaps for Nanaimo. That apparatus is probably manufactured in Chicago. Well, it does not come to Central Medical Stores, it is shipped direct to the hospital.

There are certain things that perhaps have to come into Central Medical Stores because, supposing the Toronto store or the London store had a lot of, say, boracic acid—a barrel or two—and it had to be knocked down into about twenty packages to be delivered to these little units here and there, it would really be more economical to bring that into stores and ship it direct to district stores rather than have it broken up into packages by the manufacturers.

By Mr. Picard:

Q. Would you keep the same check on it if it were sent directly from the factory?—A. Oh, yes.

Mr. HANSELL: I think it would be as well for us to keep in mind, Mr. Chairman, and perhaps make some little inquiry, as to how the audit and the inventory is taken in the medical districts.

The CHAIRMAN: I had this in mind on the point raised by Mr. Sissons, that frankly we must limit our time to supplies, generally speaking, as the audit is a separate branch of our inquiry which I do not believe this Committee has time at this summer session even to open up properly if we are to complete the other tasks. I believe we must find out about these specific items, leaving for the Committee this other work to open up and explore properly at another time.

Mr. HARRIS: You are not quite right, Mr. Chairman, when you say that the audit is something separate and apart. The audit branch is a separate department of the government, of course, but the audit of a man of his own books is the responsibility of the man in charge of that department.

The CHAIRMAN: Not the audit.

Mr. HARRIS: The bookkeeping is not complete unless he has his own audit. I do not mean the auditors from the audit branch, I mean the chief accountant or somebody responsible in the department.

The CHAIRMAN: The chief clerk. I agree that is a matter of bookkeeping, but the whole general system of auditing as applied to war departments is separate in itself and one we will have to investigate.

Mr. HARRIS: That is made after the books have been audited by each individual department with their own set of auditors or officers.

The CHAIRMAN: But those are under the command of some officer in that particular department.

Mr. HARRIS: Quite.

The CHAIRMAN: As I point out, we cannot hope to open up those subjects and complete the work we have on hand.

Mr. HARRIS: There is no attempt to open up the audit branch. The attempt made here to-day was to make sure that the books are in proper shape in the department itself.

Mr. PICARD: Let us call it "bookkeeping" instead of "auditing" and make sure that the bookkeeping is well done.

The WITNESS: They are behind in the stores and so is probably nearly every department in the army—probably a couple of months behind.

The CHAIRMAN: All right, go ahead, Colonel Jenkins; we will try to get in as much of this brief as we can. Have we completed the Central Medical Stores?

The WITNESS: No. When the contract demand is created by the Medical stores it comes up to the Director General's office for approval, and then it is passed to Treasury. The Treasury passes it to the Minister and the Minister

passes it to the Department of Munitions and Supply. Then they send out invitations to tender, and finally the contract is awarded and it comes into stores where the articles are inspected as to quality.

Then it is issued to various units of the Army, Air Force, the Navy, Allied governments or shipped to England.

By Mr. Hansell:

Q. Supposing, Colonel, that in your Services you required some piece of machinery of a highly technical nature. It might be a machine of any kind. What method do you have of outlining the specifications when you call for tenders? Who does that?—A. For instance, if it is a sterilizing outfit, would that be a fair example?

Q. Yes?—A. Well, what we do is that we look it over and go to the consultant or somebody that knows or has some particular knowledge of it and we quote a catalogue number. There are three large sterilizing outfits. There is the Castle, there is Scanlon & Morris, and the American Sterilizer Company. Each one of these has got some little thing patented on it. You could not write a specification for that. We use the United States Army specification. You would have to give it to that one man, because he has got a particular gadget on it patented. But these things, we know from experience, do the same work, so we put "similar to" and quote the catalogue number. That does not necessarily mean that Scanlon and Morris would get it. Each one of these sterilizers is up to standard, passed by the United States Bureau of Standards. In other words, if we drew up your own specifications you would have a Canadian Army Medical type sterilizer, and you would have to start with a sterilizing engineer to draw up a new thing as you could not infringe on any of these patents. That would not be practical, so we specify one of these, and all are up to the United States Bureau of Standards specifications.

In the case of X-ray you would go to the radiologist and he would draw up specification for it.

In the case of beds and things like that, the Ordnance draw up specifications.

In the case of generators, Ordnance draw up the specifications.

Q. I believe later on in your brief you have something to say about patents, and so forth. I do not mean particularly with reference to medicines or any equipment.—A. Is this in the big book?

Q. I read it in here somewhere. What I have in mind is this. Could you tell us anything with regard to whether or not there may be patents in the Patent Office that might go away back over a period of years that have never been sold or never been used and yet they may be very useful? Do you know anything about that at all?—A. No, I do not, sir.

The CHAIRMAN: There is a reference made to patent medicines; you do not mean that?

Mr. HANSELL: That is not what I had in mind. It would apply just the same, but that is not what I had in mind. I think the medical officers are expert enough to know about patent medicines. I had in mind matters of equipment, say a hospital bed or something like that.

The CHAIRMAN: What was your point, please, Mr. Hansell?

Mr. HANSELL: My point is this; that there must be in the patent office various patents that have been copyrighted and that have never been sold, or there may be some that have been sold and never been used—sold or bought for the purpose even of destruction. I wondered if the Department had gone into that field at all?

The WITNESS: No.

Mr. HANSELL: Before we get through with our work, Mr. Chairman, and perhaps it would not necessarily come under the Medical Services of the country, I would like for us to go into that part of this whole set-up. I feel very strongly about the matter because I have carried on some little work along that line, and I feel certain that there are extremely valuable patents that have been brought up and not put to proper use.

The CHAIRMAN: We can keep that in mind. Let us get on, please, Colonel Jenkins. Under the heading of "purchasing," give us your remarks on that section of your brief.

The WITNESS: I think I dealt with that.

By the Chairman:

Q. You have outlined that pretty well, have you?—A. Yes.

Q. I notice that you have not given us the limit of your authority for purchasing emergency medical supplies. Will you give us that, please?—A. You mean the \$6,000 a year or \$500 a month?

Q. Yes. Describe that to us.—A. Under that comes the question of trusses. That is one of the large articles.

Q. No, no; I just wanted the question of authority dealt with. Central Medical Stores, I take it from this, has authority to expend an amount not exceeding \$6,000 a year for emergency supplies?—A. Yes.

Q. That is done without any authority other than your own?—A. Yes, sir.

Q. And the District Medical Stores have authority for what?—A. A monthly return comes in on that and which is passed to Treasury.

Q. On your \$6,000?—A. Yes.

Q. A monthly return?—A. Yes.

Q. And you have to account to Treasury?—A. Yes.

Q. Each month?—A. Yes. Munitions and Supply also get a copy of it. The same with emergency expenditures overseas. They get \$5,000 overseas and they render a return monthly.

Q. How much for district medical stores?—A. \$25 a month.

Q. It says \$50 here?—A. Yes, it has been raised to \$50. It was \$25 and was raised to \$50.

Q. And you say you have dealt with overseas, and attached to this are forms that are used?—A. Those are the contract demand forms.

Q. And other forms, I notice, are included in your brief?—A. Yes. Receipt vouchers.

Q. The next has already been dealt with under the heading of equipment, home hospitals. That is simply a detailed list of equipment furnished by your branch?—A. Yes.

Q. The next is field medical equipment, and I take it that that is a list of items that your branch furnishes to the field medical officer?—A. Well, the unit medical officer, for instance; battalion medical officers, artillery brigade medical officers.

Mr. HARRIS: We cannot hear very well.

The WITNESS: Tanks and all the rest.

The CHAIRMAN: Speak out a little bit louder, please.

The WITNESS: I say the field equipment consists of material, and equipment issued to a field unit such as a battalion, a brigade of artillery or any unit that have a medical officer.

By the Chairman:

Q. And that would include—A. That is British pattern equipment.

Q. Does that include units in Canada as well as overseas?—A. Yes.

Q. That is units, as you say, for the field?—A. Yes.

Q. Then you have a section—the last section there, on accounting?—A. Yes. Circular letter 116.

Q. Yes. I should like you to deal with that fairly carefully, because it is apropos of this question which has been referred to.

Mr. Sissons: The witness could read that into the record.

The CHAIRMAN: Yes. I think it would be wise to have that read into the record. It is not a circular letter at all. Have you any copies of this?

The WITNESS: Which is that?

The CHAIRMAN: This is under accounting.

The WITNESS: It reads:

"Accounting Medical Units

All medical equipment and supplies are vouchered from central or district medical stores on issue vouchers C 574.

All articles are taken on charge in a special ledger kept at each military hospital. These ledgers are closed on 31st March and are forwarded to the stores audit branch, N.D.H.Q., on or before the 15th April, annually."

That is Mr. Packman.

"Duplicate unit ledgers are kept at each district medical stores and any unit leaving the particular district returns to district medical stores, all medical equipment other than medical mobilization equipment before leaving.

Central and District Medical Stores

All articles received or issued are accounted for, in the medical stores ledger. All transactions are made by the use of receipt and issue vouchers, duly signed in all cases. The ledgers are closed and forwarded to the stores audit branch on or before April 15, annually. A board of survey is held at each medical stores annually to verify stock and recommend the writing off charge of unserviceable articles."

Q. The writing off charge of unserviceable articles?—A. Yes.

Q. Who does that board of survey consist of?—A. That is appointed by the Director General.

By Mr. Picard:

Q. Have they got those reports in writing?—A. Which?

Q. The reports of the board of survey? They must verify and recommend the writing off. Is there any written report?—A. Yes. There is a board. The proceedings of the board come in to our headquarters from the district.

Q. Could we be supplied with a sample of such a report, to see what kind of verification has been made in the past?—A. Yes. We can get you the form.

Q. Not the form. I mean that will show us what has actually taken place.—One that has been completed?

Q. Yes.—A. Yes.

The CHAIRMAN: I take it that you would want the latest one, Mr. Picard.

Mr. PICARD: Of course.

The CHAIRMAN: The next heading there are "Issues to R.C.A.F., R.C.N. and Allied Governments". Just read that into the record, please, Colonel.

The WITNESS: Yes, sir. It reads:

"All issues of medical stores other than to the Canadian army are made on a recoverable basis. The actual cost as paid to the contractor is charged and all overhead is absorbed by the Canadian army vote.

Recovery is made by the use of recoverable invoices, M.F.D. 871A."

By the Chairman:

Q. That means to say that they would supply medical stores to allied governments. I take it you mean by that, Norwegian or Polish?—A. Or Netherlands, yes.

Q. Or Netherlands?—A. Yes.

Q. They were to that degree generous that they would give it to them at actual cost?—A. Yes.

Q. And we absorb the cost of handling?—A. Yes.

Q. And delivery?—A. No. They pay the freight.

Q. They pay the freight?—A. Yes.

By Mr. Picard:

Q. Under the first heading on the page of "Accounting Medical Units" there is a paragraph which reads "All articles are taken on charge in a special ledger kept at each military hospital." Is that the one that has been seen by our colleagues who went there this morning?—A. No. That has reference to a unit ledger like a hospital ledger.

Q. That is for each unit?—A. Yes.

Q. That is not for the central stores?—A. No.

The CHAIRMAN: The next item under the heading of Accounting is a circular letter, number 84.

Mr. PICARD: Excuse me, I was still carrying on with that.

The CHAIRMAN: Go ahead.

By Mr. Picard:

Q. These ledgers are audited by the stores audit branch on the 31st of March annually?—A. Yes.

Q. Do you have the report of the audit of the 12 or 13 districts for last year?—A. Yes.

Q. Could they be made available to us?—A. You would have to get those through Mr. Packman, who audits the stores.

Q. We will have to get that from the auditor?—A. Yes.

The CHAIRMAN: Yes, through the audit branch. Is that all, Mr. Picard?

Mr. PICARD: Yes, thank you. I thought this witness was the only one to supply that.

The CHAIRMAN: No.

By the Chairman:

Q. Give us the history of this circular letter 84 dated January 13, 1941. I notice it is a letter of instructions to district medical officers, all military districts, setting up a system whereby they have to report?—A. Yes.

Q. On all non-expendable medical stores in its possession as on the 31st January, 1941?—A. Yes.

Q. Is that a new thing, an innovation?—A. Yes. That came out in January. That was not in existence before.

Q. Under that system, please tell us the practical application of that—the carrying out of this circular of instruction; what will happen with regard to district medical stores and unit stores?—A. That has reference more to unit stores.

Q. Yes?—A. When a unit moves away.

Q. Well, I do not know. The first section there says, "Instructions will be issued at once by D.M.O.'s for all units to forward a return (in duplicate) to the D.M.O. of all non-expendable medical stores in its possession as on the 31st January, 1941."—A. Yes.

Q. That does not mean a unit that is moving away; that means all units, does it not?—A. That is all units.

Q. So there is a system being set up, I take it, that will require each unit to report?—A. On their non-expendables.

Q. Yes; and by non-expendables you mean drugs and dressings?—A. No, sir; they are expendables.

By Mr. Picard:

Q. You mean machinery, X-ray machines?—A. Yes; apparatus and instruments.

By the Chairman:

Q. And that was not done with regard to expendables?—A. Yes. That has only just come into effect about a month ago; that is covered by letter 116, accounting for expendables. That is what we discussed.

Q. Oh, I see. I have got mixed up. This is not the letter I was discussing?—A. No. This is letter 116. I do not see it here.

Q. Under your new system, your unit commands will have to report on both the stores of non-expendables and expendables?—A. Yes; accounting for expendables comes in on the first of each month, for the drugs and dressings.

By Mr. Picard:

Q. I am sorry. We did not hear that very well. How often did you say?—A. Once a month.

Q. They are sent in to the district?—A. To the district and forwarded to headquarters.

Q. That is for all units throughout Canada?—A. Yes.

By the Chairman:

Q. What will be the practical use of that? How will that be a check?—A. Well, it is a check in the receipts; what is issued to them from the district medical stores and what they have issued out in hospitals; that is, if there was .00 aspirin tablets being issued, that would be in their ledger and then it is up to the district medical officer to do the inspecting of that stores to see whether his ledger and the non-expendables on the shelves of the hospital correspond.

Q. Have you given the district M.O. the staff to do that work? How would he do that? He would not do it personally, would he?—A. No. He would send one of his officers out. For instance, at Petawawa the senior medical officer at Petawawa camp would do it.

Q. That system is not yet fully in operation?—A. Well, the first return will be in at the end of this month.

Q. At the end of this month?—A. Yes.

Q. By this system you do hope to gain control and check of army medical supplies, both expendables and non-expendables?—A. I do not know whether the saving effected—it is going to tend to keep them honest; but the little bit or rather the few tablets that a man might take away or the piece of adhesive plaster that he might take away—I do not know whether it will pay for the accounting. I think the cost of the accounting is going to be greater than the saving effected, but it will be at least something to tend to keep them honest.

Q. You see, I had in mind this, Col. Jenkins, that while you, like every human individual may have the utmost faith in the capacity of everybody in our branch of the service—and in the great majority of cases your judgment is right—yet obviously in any business or in any other phase of life you set up certain safeguards to prevent any breach of the usual, any dishonesty; because you do not, if the system encourages more than discourages petty pilferages,

perhaps a clique get to work and profit out of medical stores as they would out of naval stores or army stores. That is why I think we should place so much importance on the safeguards being set up.—A. That is what circular letter 116 is for.

Q. Yes. I would suggest to you that you see that that is carried out, not because you anticipate a saving in money but you anticipate having a system that is reasonably efficient and keeps everybody on his toes to see to it that your central medical stores are on the job in preventing these very losses that were referred to.

Mr. HARRIS: Just before you go on, Mr. Chairman, before you close this phase of the matter, I should like to ask this question. Is the stores audit branch under Lieut.-Col. J. S. Jenkins?

The WITNESS: No, sir.

By Mr. Harris:

Q. Who are they under?—A. Mr. Packman, a civilian.

Q. In this brief you have submitted, you are not responsible for this brief particularly with regard to that accounting?—A. I beg your pardon?

Q. You are not answering for this brief as far as accounting is concerned?—A. Not as far as stores audit is concerned, no.

Q. Or the accounting itself?—A. I am supposed to see that the hospitals and district stores send their ledgers in.

Q. Whom did you say was responsible?—A. Mr. Packman of the stores audit branch. The ledger comes in once a year from the hospital. He makes his comments and if in the comments some question is asked such as a thing not being right, I take it up with the district.

Q. What is your number; your number is A.M.D.3?—A. He has got nothing to do with this; he is not in this department at all. He is supposed to—

Q. He is not in the Department of National Defence at all? He is as a civilian:

The CHAIRMAN: He is the audit branch of the Department of National Defence, but a civilian.

The WITNESS: We submit our hospital ledgers to the stores audit branch once a year. Then he makes his comments. If they are all right they are just passed back to the hospital.

By Mr. Harris:

Q. That has not been done for the year ending March 31, 1941?—A. Yes, coming in all the time, sir.

Q. This only has reference then to the organizations outside of the central medical stores?—A. Yes.

Q. With regard to the survey that is held in each medical store, that does not apply to the central medical store?—A. No, sir, the stores audit. I have no doubt he does make other stores besides medical stores. This is the stores audit branch.

Q. The outside medical stores has been audited by this auditor of the stores audit branch?—A. Yes.

Q. But he does not audit the central stores?—A. No; say ledgers come in from the Toronto military hospital. They will be forwarded to Mr. Packman. Whether the individual at the audit branch is who does the audit I do not know.

By Mr. Picard:

Q. As director of medical services for A.M.D.3 may I ask if you are satisfied that you have sufficient control over all of the stores and all of the expenditure and so on? Is not that part of your duties? You have control of the central and district medical stores?—A. Yes.

Q. Are you satisfied under the present set-up that you have sufficient control at all times so that you know where you are?—A. Yes; as I explained in answer to Mr. Harris' question, I was not quite satisfied with the accounting down in the central medical stores. As he explained they were behind. I did not like that, but I know that is true of a great many other services, that they are just a little behind and the work has increased so darn fast they just cannot keep up with it.

Q. You have made the proper representation to get that under control?—A. Well, I have asked for more staff.

Q. More staff?—A. Yes. Every time the central officer in charge of medical stores, Major Holmes, asked for more staff I put it up to A.M.D.1 who is in charge of personnel, sometimes he gets temporary help from the training centre, but finally the establishment has gone through. To get that changed, to get it increased is difficult because it has to go through organization through the adjutant general.

Q. Are you satisfied you have the proper control on the travelling claims and claims and accounts and so on; are you satisfied that you have a constant check on that and have a control?—A. You mean when an officer goes some place? Suppose he has to go on an inspection trip down to Quebec, yes. He is allowed so much a day, depending upon his rank, and he is allowed a taxi from his residence to the station; he is allowed gratuity on the train. He pays the hotel bill out of the allowance laid down. It does not make any difference where he stays. If he is a lieutenant-colonel he gets \$6 a day and that is all.

Q. You have a constant check on all that? You know what is going on? Are you satisfied with the way it is operating?—A. Yes. For instance, when a man goes away it appears in orders that he has gone on command say to Quebec or Montreal and then he reports back. We know the time he has spent. He has to make a statement showing that he has not received accommodation and rations. For instance, if he went over to Valcartier camp and they said to him, "Well, stay here with us," he could not claim for that. If he has received rations and billets that is stated on the face of the claim. He makes a statement saying that he has received rations or that he has not received rations or accommodation. If he has received rations and accommodation he does not get \$6 a day. If he stays in a hotel he gets \$6 a day. He is not required to submit a bill. If he pays \$6 or \$3 that does not matter.

Q. You have in your branch some person charged with looking after these travelling claims?—A. Yes.

Q. Are you satisfied that it is working well?—A. Yes. The officer or other rank when he departs appears in orders, and even if it is signed and a claim made for all day and he does not take that day it will come back because they have orders. A man can make a mistake and put in for all day when he did not use that day. Say he put in for 12 hours on account of a half day and he only had 11½, the pay people would send that back.

Mr. GLADSTONE: You had a memo, Mr. Chairman, on the number of the questions and I imagine most of them have been answered during the course of the discussion.

The CHAIRMAN: Yes.

Mr. GLADSTONE: I was wondering if you would care to take up question No. 10 and have the witness comment on it.

Mr. HANSELL: Can we take each question in rotation and handle it a little more orderly. I am interested in question No. 7.

Mr. PICARD: Let us start with No. 1 in case some other members are interested in some other questions.

Mr. HANSELL: I have been looking these questions over and it appears to me as if the first two questions have been answered. We are pretty well satisfied with that. Question No. 3 deals with X-ray equipment. The expenditure of half a million dollars appears to me to be a big expenditure.

Mr. HARRIS: Call question 1.

By the Chairman:

Q. You will remember the discussion you and I had with regard to morphine tartrate?—A. Yes.

Q. Would you give the committee the facts with regard to that?—A. In looking over Dr. McCann's evidence I notice he stated that we were supplying morphine tartrate in ampoule form and that it was three times as expensive as morphine sulphate and that it was antiquated and had not been used in Canada for a good many years. Well, that is partially true; it has not been used in Canada for a good many years and it is more expensive, and we never supplied it in ampoules. We do supply it in compressed tablets in field equipment because it stands up; it does not disintegrate the same as morphine sulphate does. It is not supplied to any of our hospitals in Canada nor to our hospitals overseas. It is only supplied to field units in field medical equipment, and in the field we may have to obtain it from the British.

Q. Was morphine tartrate listed in the old British army list?—A. Yes.

Q. So that would change it?—A. Yes.

By Mr. Picard:

Q. Is not that the tablet that is used for the British army?—A. In their field equipment.

Q. Throughout the entire army?—A. Yes.

Q. Is not that the better form to put the morphine compound in to be sent any distance, because it disintegrates less than the other?—A. Yes.

Q. I read something about that and I asked somebody about it and I was told that morphine tartrate, although I am not an expert on this I was told that while it might be more expensive it is better for field ambulances and for the use in the field because it keeps better and it does not disintegrate to the same extent as the other one does by contact, say of the tablets in a bottle, through friction. The other type will not disintegrate through friction as well as in other ways, and the British use it in their different posts because it keeps better under all circumstances, humidity and so forth. Is that true?—A. Yes.

By the Chairman:

Q. That would be particularly true in cases like Egypt and Libya?—A. Yes.

Q. The warm countries. Is that true?—A. I think so, sir, yes.

Q. I want to get this clear that the practice is now that morphine sulphate is included under the new list as an establishment drug for Canada for domestic or settled units and that morphine tartrate is only supplied as you say for field units?—A. Yes, and not in ampoule form.

Q. By field units do you mean field units in camp in Canada?—A. In the field, in the battle area.

Q. And that is, as you say, for the purpose—because it preserves its qualities and shape longer?—A. Yes.

Q. Now, with regard to X-ray equipment. There was a statement in the press on June 18, 1941, in which it was suggested that \$500,000 had been expended in X-ray equipment—A. It was not all in equipment, they should have said supplies. That included film and developer.

Q. Can you give us the breakdown?—A. X-ray equipment, \$209,900; X-ray tubes and accessories, developers and different types of apparatus, \$160,000.

Q. What about X-ray film?—A. \$108,000.

Q. That totals \$477,900?—A. Yes.

Q. And do you consider that the goods purchased were required by the services you are supplying?—A. Yes.

By Mr. Hansell:

Q. Where does most of this come from, from the United States or Canada?—A. Practically all from the United States. There are two sources in Toronto that are manufacturing partially, Burke Electric and Ferranti.

Q. No films are manufactured in Canada at all?—A. They are just starting in—Eastmans are just starting in manufacturing. There are two films, Eastman and Dupont (C.I.L. handles them in Canada). Films are supplied in England by Illford.

By the Chairman:

Q. Can you tell us if munitions and supply buy them through the manufacturer or the middle man?—A. No, they buy the film direct. But for X-ray equipment, invitations for tender go out, and the supply houses generally are Burkes and Ferranti and firms like Fisher and Burpee. If they bought direct it would not be any saving. It is the same with sterilizers; if they bought the agent in Canada would still get his commission.

By Mr. Picard:

Q. Has it not been the practice to ask for tenders from quite a number of retailers while in fact you only have three manufacturers who could quote?—A. That is a question for munitions and supply. I think you are right. There may be instances where we should go to the source of supply rather than go to the jobber.

By the Chairman:

Q. But that would not make any difference in many cases?—A. In the case of the supply houses some are compounders. They may buy sulphathiazole powder and compress it into tablets, and in that case it has not got anything to do with me, but I think the munitions and supply should go to the source of supply rather than go to the jobber.

By Mr. Sissons:

Q. That figure is inclusive is it not of spare parts and equipment for use overseas?—A. Yes.

Q. And also covers certain replacements of equipment lost at sea?—A. Yes.

By Mr. Harris:

Q. The witness mentioned some names. Did you mention the name of Acme?—A. Ansco?

Q. Do you know the firm that owns the Acme?—for X-ray?—A. No, I did not mention it.

Q. Leaving Acme, and coming to Ansco, you discontinued Ansco?—A. We asked that it be cut out, yes.

Q. Was there some reason for that?—A. Yes. Munitions and supply—we forwarded contract demand to the department for a certain number of films and munitions gave it out to Ansco. We found out when we got the film that the X-ray technicians were giving the film exposure as for Dupont or Eastmans and we were getting a cloudy film. We took them around to the X-ray laboratory and to the radiologist and we found that there was nothing the matter with the

film but that it did require a third more exposure. Had I been consulted by munition and supply—and I might have asked for a sample of the film, but they went ahead and let the tender without consulting us.

Q. Have you any recommendation to make to this committee, Mr. Chairman, that occurrences like this will not happen again? What quantity or value of Ansco film was of no value to the department and was disposed of or returned or thrown away? Can you give us the whole Ansco story so that we will not have a re-occurrence of this?—A. Well, that would never have happened had there been closer liaison between munitions and supply and our department.

Q. Have you any idea of the quantity of Ansco products purchased and subsequently not used?—A. The first ones in issue were issued to 59 Albert street, that is the X-ray laboratory that does the work for the Ottawa area—and it was caught after only a few films were used.

Q. What happened to the rest of the films?—A. We notified the districts to give them a third longer exposure.

Q. And were they all used up?—A. They are being used up, sir.

Q. They are not being returned?—A. No, no.

Q. You still have a supply?—A. Yes, but they will not be buying any more.

Q. Are they being used in the Ottawa district?—A. Yes. And through the districts, throughout all Canada.

By the Chairman:

Q. Is Ansco still in business?—A. As far as I know.

Q. I want to get this quite clear: you finally gave the extra time of exposure for the Ansco film?—A. There is nothing wrong with the film except that it needs a third longer exposure. That was discovered in Ottawa and as soon as we found out the trouble all the districts were notified.

By Mr. Harris:

Q. Your supply is coming from Rochester?—A. Eastman and Dupont.

By Mr. Picard:

Q. You mentioned better co-operation between your branch and munitions and supply; have you anything to suggest which would help us in our work?—A. I think I said if munitions—the medical directorate is not anxious to take on the buying; but we feel that if the gentlemen down at munitions and supply who have to do with medical purchases—that if they were in our building and still carrying on under the same machinery there would be closer co-operation and Ansco film would not have been purchased.

Q. Do you know if the officer in the Department of Munitions and Supply who is charged with the purchase of medical supplies is well versed in that kind of work, if he is a technician?—A. Yes. He is not a physician but he is a man who has been in the supply business.

Q. In the medical supply business?—A. Yes, medical and surgery supply houses, like Surgical Supplies, Toronto. As a matter of fact, he ran his own business for a time.

By the Chairman:

Q. What is his name?—A. Haydock.

By Mr. Sissons:

Q. Have you any men in your department who were in the medical supply business?—A. This man Haydock was. He was a sergeant down in stores and he obtained permission to resign from the army and was engaged by munitions and supply because they were having trouble in getting a man.

Q. Have you any men in your branch now who have previously been in the medical supply business?—A. Yes, sir, we got a man at headquarters the other day from Ingram & Bell, a fellow by the name of Chapman. He was very highly recommended by the American Sterilizer Company. He was with them down in Fort Erie. He also has quite a knowledge of X-ray equipment.

Q. That is a specialty line. Have you got men from the wholesale drug business?—A. The munitions and supply have. Major Holmes, O.C. medical stores, ran his own drug business.

Q. But retail?—A. Retail, yes.

Q. None of them wholesale?—A. No, except this man Chapman.

By Mr. Picard:

Q. I asked you a moment ago if you had any constructive suggestions to offer concerning the co-operation which you mentioned between your branch and the munitions and supply. You just started to say that you had made a suggestion; have we that here?—A. I just offered the suggestion that they perhaps move up to our building where we would be closer to them and could be consulted before contracts were let. Of course, sometimes there might be a question where we might be in a hurry for an article and the firm with a little higher price might be able to give us a little better delivery; the inclination of the Department of Munitions and Supply is always to give it to the low tenderer.

Q. Without taking into consideration the time of the delivery?—A. Yes. It is not always important, but sometimes it might be.

By Mr. Harris:

Q. Are you using the services of the purchasing branch of the Department of Munitions and Supply to help you with your problems at all?—A. In what way, sir? Everything goes through the Department of Munitions and Supply.

Q. You have a department that has been purchasing for some twenty years.

The CHAIRMAN: Do you mean pensions and health?

Mr. HARRIS: Yes; do you use them at all?

The WITNESS: No. I do not know whether munitions and supply uses them. We go through munitions and supply to get our supplies.

Q. You are asking for closer co-operation between munitions and supply and the medical services of the Department of National Health?—A. Yes.

Q. I am going one step further: Do you ask for the same co-operation from the Department of Pensions and National Health who have been purchasing these supplies for some twenty years?—A. No. The munitions and supply might go to them but I have no reason to go to them, because all we do is to make our contract demand for our particular needs and the munitions and supply do the purchasing. Whether they go to pensions and national health, I do not know.

Q. Do you think it would be of any advantage to have their co-operation on your problems?—A. Well, I do not know. We put down our needs and it has to go to munitions and supply and munitions and supply who go out and buy it and then it is delivered to us.

By the Chairman:

Q. I think Mr. Harris' point is, is there any co-operation that you can get from pensions that will assist you when you are preparing the specifications as to what firms to buy from, and so on?—A. No, because everything is laid down on a scale which is drawn up by the consultant's circular letter 81 relative to our list of equipment. I have gone to the pensions and national health for some formulæ that we now use and manufactured at the medical stores. For instance,

I got the formula for scabies from them, and I got the formula for pediculosis from them (which is lice). I got these two formulae from Doctor Ross Millar. And we sometimes use their analytical chemist.

Q. The committee, Colonel Jenkins, is quite interested in the statement contained in that same part, that the army medical corps had purchased some ten million sulpha tablets.—A. Yes. There is a breakdown of that.

Q. Give us your story on that, will you?—A. Well, ten million was wrong, to begin with. That was overestimated by munitions and supply. If you look at appendix 4 you will see a breakdown as far as we can give it to you.

Q. The total is 6,865,400?—A. Yes.

Q. That is from September, 1939, to the 31st of March, 1941?—A. Yes, sir.

Q. I did not pay particular attention to it, but did the circular set the same time? Are they referring to the same time? This is dated June 18, 1941.—A. Yes.

Q. And refers to a period of one year?—A. Yes.

Q. Prior to that. This figure, I suppose, might coincide if we got those figures?—A. I think there is some on order. The munitions and supply people may have taken into consideration some contracts that have been let but the goods have actually not been delivered.

Then this is not correct. I found it just before I came over. There are two sulpha derivatives that are not on there. Pronsil should have been on there. Munitions and supply included it. Pronsil is not used now but it had been used before the revision of the drug list and a certain amount of pronsil had been bought.

Q. Your list should have included that?—A. Yes.

Q. In order to give the true comparison?—A. Yes.

Q. You do not know how many particular types of that tablet there were?—A. No, but I can if you want it.

By Mr. Picard:

Q. As that quantity might appear to the layman to be large, would you want to give us some information as to the different uses of these sulpha compounds in the army? I am personally satisfied as to that but I wondered if you wanted to explain it.—A. You mean the diseases for which it is used?

Q. Yes, the justification for such a large number. I am personally convinced that they are needed.—A. It is used in the treatment of pneumonia. It is used in the treatment of meningitis. It is used in the treatment of gonorrhoea, and it is used in the treatment of a good many other infections.

By the Chairman:

Q. Boils, for instance?—A. Yes, any staphylococcus or streptococcus infection.

By Mr. Hansell:

Q. Were we not told it was used for colds and sore throats?—A. It is used for acute bronchitis and flu.

By the Chairman:

Q. In the case of pneumonia what would be the likely limit per patient of the use of this drug?—A. Colonel Graham's figures are fifty.

Q. It was suggested to us that twenty would be about the limit. Would you say that would not be correct?—A. Colonel Graham is the consultant in medicine, he has quite a reputation, and I have nothing to do but accept his statement.

Q. I notice that in appendix 4 you give the district's location—the military district's location?—A. Yes.

Q. Of each type of tablets?—A. Yes.

Q. And indicate how much is actually in that district of each?—A. Yes, that has been issued. That does not necessarily mean that they are new district stores—they may have been since issued to units.

Q. No. During that period they were issued?—A. Yes.

Q. And you on the bottom of this appendix 4 show what is at present on hand in central medical stores?—A. Yes.

Q. But you do not know in each district that there is in store the number set out in this because it would be affected by use?—A. No. We will not know until we get their ledgers at the end of the year.

Q. I take it that on your overseas shipments you would have very little information on any of these?—A. There has been a lot lost at sea, lost on docks and railroad sidings. We could not give you complete breakdowns. There is some held up in troop train equipment and sea transport boxes which go back and forth when troops are moving.

Q. The other day at Petawawa the committee noticed that there were 25,000 tablets on one particular item?—A. Yes.

Q. And there may have been other quantities of other things of the same family, and it struck us as— —A. As excessive?

Q. As excessive.—A. Well, the pharmacist ordinarily would make out his requisition. Then it is supposed to be checked as to the amounts and the necessity by the O.C. of the hospital. How complete that check is I do not know. Then it goes to the senior medical officer of the camp and he is supposed to check it and then it is passed to the D.M.O. of the district, which is at Kingston, and he checks it. Then it comes in to headquarters. After all these people say the amount they need, and it is a very big camp, unless it seems very unreasonable and we have reason to believe they did not check it—we sometimes send the requisition back and say "Kindly explain why you need so many of these, the amount appears to be excessive", and then when the explanation comes in we act on it, either by cutting it down or otherwise.

Q. You would not think that 25,000 of one particular type of tablet, on the information that you received, was excessive for Petawawa?—A. I would not think so.

(At this point evidence was given in camera)

By Mr. Picard:

Q. Compared to the allotments given to some districts in Canada, the quantity sent overseas appears to be relatively small. It is half of the Toronto district and half of M.D.6 and so on. Must you not figure on the amounts sent overseas, a certain percentage for losses at sea and so on?—A. There was a lot—there has been a lot of this sulpha group tablets purchased in England;

Q. There have been more purchases besides this?—A. Besides this.

By the Chairman:

Q. Are there any made in Canada?—A. What is that?

Q. Are there any made in Canada?—A. Any of these tablets?

Q. Yes.—A. Yes.

Q. You purchase from Canadian sources now?—A. Yes.

By Mr. Gladstone:

Q. Which is this dragon?—A. Dagenan. That is a trade name for sulphanilamide. That is made by May and Baker in England.

Q. That is in England?—A. Yes.

By the Chairman:

Q. What has been the price trend in regard to this?—A. The first lot which was for only 5,000 sulphathiazole was \$36.67.

Q. Per what?—A. Per thousand; and the last, \$12.10. The \$12.10 was a big order.

By Mr. Picard:

Q. You mean \$36 per thousand tablets?—A. Yes.

By the Chairman:

Q. That has been greatly reduced?

The WITNESS: These things are not on any more. Same article purchased under chemical name and not under the trade name.

By the Chairman:

Q. How do you pronounce it?—A. Prontosil.

Q. They are not on?—A. They are not on the list there.

Q. I notice you purchased small amounts, 20,000 of one and 25,000 of the other. This is the statement of your purchases of that drug in that family type of tablet?—A. Yes.

Q. Since you first started to purchase?—A. Yes.

By Mr. Hansell:

Q. On question 5—

The WITNESS: Some of this should not have been in.

Mr. HANSELL: On question 5—

The CHAIRMAN: Just one minute please until I get through with this.

Q. That is obviously wrong, is it not?—A. No.

Q. Two million sulphanilamide, \$1.40 per thousand?—A. Yes; I think that is \$11.40.

Q. No, that is wrong. What is that—2,300,000? No. That is right. That must be wrong.—A. Yes, I think that is wrong.

Q. Yes. I think that should be corrected. There was one other item. I shall only be a minute on that subject, Mr. Hansell. Yes. That is all, thanks. Have you a question, Mr. Hansell?

By Mr. Hansell:

Q. On question 5, what is the cost of administering your branch—that is the headquarters staff?—A. That would have to come—

Q. The answer in 5 simply shows what we have been pointed out before, that you just cannot get what it costs to operate because one department will pay staff and another department will pay the rent of the building and another department will pay something else; and it is just impossible seemingly to get the actual operating cost.—A. Well, all Mr. Graham asked me for was the staff, so I have given him the staff, both in the Elgin Building and at the stores.

Q. I see. Even that would not give us the cost of operating the stores.—A. That was not the question that was really asked. I have put it down wrong. He asked me what staff I had.

Q. I do not have any questions on question 6 —

By Mr. Picard:

Q. Before you step to question 6, your appendix 5 gives us your staff?—A. At the Elgin Building.

Q. At central medical stores?—A. Yes.

Q. But then the question mentioned your headquarters staff; I mean the staff that comes under A.M.D.3?—A. Yes. That is the next page there.

Q. That is 5?—A. Yes.

Q. But six, I mean.—A. That is all.

Q. That is the whole personnel of the branch?—A. Yes. One of these fellows has only been in there about a couple of weeks.

Mr. HARRIS: Mr. Chairman, I should like to ask one question. It really comes under section 10, if I am in order.

By Mr. Harris:

Q. How long does it take to despatch the ordinary indent that comes, we will say, from Kingston, like the one you referred to; if you had an order or an indent come on you at central stores from Kingston, Ontario, how long would it take to despatch that order ordinarily?—A. Well, the requisition is approved of in my office and it goes down to stores and ordinarily—it all depends; it should go out the next day unless it is something that has to be ordered and purchased from munitions and supply.

Q. I then quote an observation made this morning, of what I saw this morning. I saw an order which was made out on July 18. To-day is July 28, and they are still packing away at this little order. To my mind that shows inefficiency somewhere. And when you come to answer question 10 I should like the witness to bear that condition in mind and give us any recommendations he has.

The CHAIRMAN: It is twenty minutes to six. Can you meet to-morrow at 10.30?

The WITNESS: I will try to, sir.

The CHAIRMAN: Then we will adjourn until 10.30 in the morning.

The WITNESS: In answer to that question, sir, I do not know in this particular case what caused the holdup. Sometimes we get a special order, a cable to ship something overseas and we have to take them off that and put them to getting the stuff ready for a boat. I do not know whether that was the reason in this case or not, but that has frequently happened.

Mr. HARRIS: Shortage of staff and inefficiency right in the centre.

By Mr. Gladstone:

Q. It may be the case of the difference between emergency orders and stock orders?—A. Yes.

The CHAIRMAN: We shall adjourn now to meet to-morrow morning at 10.30.

The committee adjourned at 5.40 to meet to-morrow at 10.30 a.m.

JULY 30, 1941.

The Subcommittee met at 10.30 a.m. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: We have a quorum, gentlemen, and we are past the time we were called for so I will call the Committee to order.

Lieutenant-Colonel J. S. JENKINS, D.S.O., V.D., A.M.D. 3, recalled.

By the Chairman:

Q. Colonel Jenkins has inquired over the evening recess into the question raised by Mr. Harris as to the order that was given, I think, on July 18.—A. Yes, sir.

Q. And is still unfilled. Mr. Harris was concerned about the delay that occurred in the filling of those requisitions. Just give to the Committee, please, the explanation, Colonel?—A. The question I think Mr. Harris asked was this: "How long does it take to fill a requisition?" I said that ordinarily the requisition would come in to-day and go down to stores to be approved of and if it was stuff on the shelves it should be shipped out to-morrow. He said, would you believe that I saw a requisition dated the 18th of July and they were only packing it yesterday? I admitted there was a possibility. I got after the stores and found out that that was a requisition for three months' supply that they put in ahead of time, and that stuff is not due in the district stores where it is ordered for until the first of September. They are six weeks ahead on the orders.

Q. That is the explanation?—A. Yes.

Q. In the matter that we were dealing with yesterday, that is, the matter arising out of the questions and answers which the Colonel hypothetically put down on the submission, I think we were at No. 5?—A. You asked me to enumerate my staff. Appendix 5 shows you the staff at headquarters and also the staff at stores.

Q. As to question 6, have you any comments to make on the relative ability, or are you in a position to judge the relative capacity of the D.P. & N.H. doing the purchasing of drugs and other medical supplies for the Canadian Army Medical Corps?—A. They do not buy as much, and I do not think they can buy as cheaply as Munitions and Supply.

Q. On what do you base that opinion?—A. On the quantities that are purchased, and I cannot conceive—it is only my opinion—where a firm would sell cheaper to the D.P. & N.H. than they would to Munitions and Supply, because there is keen competition. In some cases they tell me there have been fifty-seven invitations to tender sent out on certain articles.

Q. On the question of quantity that argument would be removed if the Royal Canadian Army Medical Corps' supplies were added to the supplies of the D.P. & N.H., as then they would have the volume of purchases?—A. Yes, but the D.P. & N.H. would not want to change their system of purchasing. They go direct. There is not the same system of tenders. They cannot buy as cheaply because competition is not so keen. Aspirin, so called, or salicylic acid, has been bought for 49 cents a thousand. I do not think for a moment that the D.P. & N.H. could buy cheaper than that.

The CHAIRMAN: I may say to the committee that it comes up under the general question of supplies, but obviously there is one sounding board we could use when we come to that subject, finding out the prices paid for like medical supplies by the D.P. & N.H. and the Munitions and Supply branch purchasing for the R.C.A.M.C., but I do not think we can hope to explore this avenue at this particular sitting of the committee.

Mr. Sissons: It opens up a wide problem, whether parliament adopted a sound policy when they gave the Department of Munitions and Supply the exclusive authority to purchase all war supplies.

The CHAIRMAN: Yes.

Mr. HANSELL: There is a question which comes before my mind here—I was not aware of it—the Department of Pensions and National Health do not purchase by tender. Is that what I understood you to say?

The WITNESS: I think they buy direct.

The CHAIRMAN: That is contrary to the evidence we received from the Department of Pensions and National Health. But you do not know?

The WITNESS: No.

By the Chairman:

Q. You are only assuming?—A. That is right.

What they may do is they may send out and get four or five price inquiries and take the lowest price, but I do not think they go through the same tendering process as with Munitions and Supply.

The CHAIRMAN: We will get that from Doctor Millar.

Mr. HANSELL: Might I ask here, Mr. Chairman, whether or not the Department of Pensions and National Health comes under this committee as an item of war expenditures?

The CHAIRMAN: Only where it happens to intrude itself into the war.

By Mr. Hansell:

Q. Before you leave No. 7, I think it is only fair to say that our minds perhaps have been running along the possibility of, I was going to say, the amalgamation of the Department of Pensions and National Health with the Medical Services. I do not suppose that will happen yet, but it is obvious that the Department of Pensions and National Health have supply services of their own?—A. Yes.

Q. And the Medical services have supply service of their own. Not only do you Colonel, under your administration, have several buildings, but the Department of Pensions and National Health also have buildings?—A. Yes.

Q. Would you care to express yourself as to whether it would be more efficient if the two were made into one?—A. Well, I do not know that I would, but I can tell you this—

Mr. GLADSTONE: On this question, Mr. Chairman, it might be well to indicate to the witness that there need be no newspaper publicity on a matter such as this.

The WITNESS: I feel as though that was a question of policy and one for the adjutant general or the D.G.M.S. to answer.

Mr. HANSELL: Will he appear before this committee? He will not be appearing before this committee, will he?

The CHAIRMAN: That is the director general—Gorssline.

The WITNESS: There is this, their hospitals are all equipped now, and the nature of their supplies is more or less drugs and dressings and not new bulky equipment needed for equipping hospitals.

The CHAIRMAN: I think question 8 has already been dealt with.

Question 9 has already been dealt with. I think only question 10 remains, and this will be in camera. The newspaper reporter can stay but just keep it off the record.

(At this point evidence was given in camera)

(On resuming in open session.)

The CHAIRMAN: If there are no other questions, there is one which I want to deal with and it is on a point that I think might be of interest to the committee. That is the saving that was achieved in the matter of troop train equipment.

The WITNESS: Yes.

The CHAIRMAN: Just outline that to the committee, please, Col. Jenkins.

Mr. GLADSTONE: Which equipment?

The WITNESS: It is called troop train equipment.

The CHAIRMAN: I do not think that is included. He just happened to give me a memo on that, and I should like him to outline it to the committee.

The WITNESS: Originally troop trains got certain articles of medical equipment issued them. There was a medical companion, a surgical haversack and a Thomas splint. The companion and the haversack were articles of field equipment such as a unit might get in the field; we were very short of them; after Dunkirk we could not supply them. We found that they were not entirely suitable. There were some things in them needed for the field that were not needed for a troop train. So we designed new boxes, took things out that were unuseful and put things in that should be in these, and it resulted in the saving of the difference between \$66 for the original one and the new one which was \$29.65 and released a large amount of equipment which we gave to the 3rd and 4th divisions and other units.

By the Chairman:

Q. In total that would be a considerable saving?—A. Yes.

Q. You would issue a great many of these, I suppose?—A. Yes.

(At this point evidence was given in camera)

By Mr. Gladstone:

Q. From the standpoint of Canadian manufacturers of drugs purchased by the medical services?—A. Munitions and supply.

Q. Do they warn them of difficulties of making delivery in the future?—

A. Who warn? The houses concerned?

Q. Yes.—A. Very often they do. But that information goes to munitions and supply. There are certain drugs that we used to get that are unobtainable now, such as squills which come from Italy and hyoscyamus and belladonna, whose source of supply is in Central Europe. They are practically out, except stocks that are available at the present time.

Q. The bearing, of course, of the difficulty of filling orders for supplies in the future has to do with our thought that there may be excess supplies now, when one considers the stores here in Ottawa and at the various military districts, which seem rather huge?—A. Yes. Well, you have to anticipate requirements; and those were explained in my report. As it is we have not had a great many casualties. We do not know when it may become a war similar to the last war, when it may well seem a small supply—a hospital might be shelled and they might lose their equipment. When that happens you have got to have replacement equipment and you have to anticipate that and have supplies on hand.

Q. One anticipates that there will be large supplies of bandages and all sorts of things necessary for the treatment of wounds, but on the other hand one might question excess supplies of some items that have been mentioned such as the sulphates and cough medicine, etc.; and things of that kind required for ordinary illnesses; especially since we have a body of physically fit fine healthy men to deal with.—A. Well, of course, as far as the sulpha group tablets are concerned I feel quite sure they will be all used up. We have flu epidemics in the winter time, pneumonia and things like that; and they are not perishable; the sulphas. That is not all based on my judgment, the consultants are taken into account in a great many of these purchases.

By the Chairman:

Q. I suppose another point that might enter into it would be the consideration given not only to the immediate necessity but to possible future necessity?—A. Yes.

By Mr. Hansell:

Q. I have a question or two to ask with regard to appendix 1, A.M.D.3; supply, inspection, issue and disposal of medical equipment: could the witness elaborate on the disposal of medical equipment?—A. That would be at the end

of the war. We would decide what we would have to have for peace time and what we would want disposed of and then that is all listed and given to the salvage officer and he asks other institutions throughout Canada if they need it. That is a post-war thing.

Q. I see, there is no disposal of any medical equipment now?—A. No.

Q. What is the meaning of, examination of cash accounts; I do not quite get that?—A. Well, that is for instance a doctor sends in a bill; and accounts for stores that has to be approved, stores go out to make an emergency purchase and they have to account for that, the cash they paid, and that return is handed in monthly.

Q. I see; you might have occasions to engage a civilian doctor or something like that?—A. Yes.

Q. Further on down there—this is a question I asked yesterday—recommendation for the placement of contracts for medical equipment, patterns of medical equipment and apparatus, and inventions relating thereto. Would you explain that?—A. Well, people submit inventions—might be some simple machine for the administration of ether. I had one submitted some time ago. That is sent through me to a consultant for his opinion on it and then probably it goes down to the National Research Council to be tested out to see whether it is right from the electrical standpoint, and then we decide whether we are going to purchase it or not. And then, some one designs a stretcher, a new type of field stretcher; it comes in and we try it out, we send it out to the training school and get the consultants' and doctors' opinions on it and then decide whether or not we should use it, whether it is any better than what we have.

Q. Now, under that work, you are more or less entirely dependent on some inventor presenting it to you?—A. That is it, we do not go out and ask for it, it is presented to us.

Q. You do not go down to the patent office, for instance?—A. Oh, no.

The CHAIRMAN: I would now like to enter some of these documents in the record as exhibits.

Exhibit 25—Submission by witness labelled Department of National Defence, D.G.M.S., A.M.D.3.

Exhibit 26—Statement of division of duties under the D.G.M.S.

Exhibit 27—Appendix 4—Statement of the three types of sulphur drugs with detail as to quantity in each military district.

Exhibit 28—Statement of staff at central medical stores.

Exhibit 29—Statement of staff on A.M.D.3.

By Mr. Picard:

Q. It is quite possible that the information I now desire to ask for was given before I came in. Unfortunately I was delayed. May I say, Mr. Chairman, that I was not entirely satisfied with the statement of this witness yesterday as to the precautions taken by A.M.D.3 considering the purchase of stores, and I was wondering if anything more by way of explanation had been made to the committee this morning before I came in?—A. No.

The CHAIRMAN: No; except, I might suggest, the committee has started an inquiry and there will be a statement made to us, I would say on Friday, or next week.

Mr. PICARD: As to the accounting and the auditing?

The CHAIRMAN: Yes.

By Mr. Picard:

Q. What I mean is, this witness tells us that he is personally responsible for the department; has he given us any further explanation as to his powers, ensuring close supervision of the stores under his control?—A. In what way, do you mean, by inspection?

Q. I mean, by any means at your disposal as you are in charge of the organization of central medical stores, and that means it might cover a lot of crimes or a lot of virtues; are you satisfied yourself with this item that all their duties are being carried out properly by the people under you?—A. No. I will admit as I admitted to Mr. Harris yesterday that stores is not 100 per cent perfect. It is getting better all the time as things go along and we are making improvements. We have started a manufacturing department and we have started a repair department to see if we cannot repair articles that are broken which ordinarily would go to salvage.

Q. Are you contemplating a rearrangement of that set-up or an enlargement of it, or are you contemplating some adjustments being made in addition to the auditing and accounting and so on; will you be giving us that?—A. That is coming on Friday, sir.

Mr. PICARD: Thank you.

By Mr. Gladstone:

Q. I do not know whether or not as a committee you would care to make an expression of opinion, but I for one feel that in connection with manufacturing that before any enlargement of manufacturing in the army medical service is made consideration ought to be given to co-operation with or amalgamation with the manufacturing drug department of the Department of Pensions and National Health. I do think they have a set-up there in the Department of Pensions and National Health that looks to be efficient, and my observation would be that there does not seem to be any apparent reason why the one department could not serve both services. I think it is a duplication, and I think it should be studied. I think the opinion of this committee, at least my opinion is that there should be a stop order put on increases until a policy is determined as to manufacture.

By the Chairman:

Q. Have you any comments to make on that?—A. That is a question for the D.G. to answer, sir.

Mr. HARRIS: Before the witness retires, Mr. Chairman, are you still in open session?

The CHAIRMAN: In open session, yes.

Mr. HARRIS: I want to make one or two observations; I was waiting for you to move from one to the other.

I received a letter this morning, Mr. Chairman, from London, England, saying:—

The general set-up in England has changed very considerably in the last few weeks. Sorry I cannot tell you all about it, but the authorities in England are checking security very closely.

The CHAIRMAN: Checking what?

Mr. HARRIS: Security. I merely mention that to put it on the record. I thought it would be of interest.

The CHAIRMAN: Does the letter, Mr. Harris, elaborate on what is meant by the word "security"?

Mr. HARRIS: It is all there in the letter.

The CHAIRMAN: I do not want you to read it.

Mr. HARRIS: I read it all. It reads:—

The general set-up has changed considerably in the last few weeks. I cannot tell you about it but the authorities are checking security very closely.

The CHAIRMAN: Is that letter referring to medical services?

Mr. HARRIS: All services. I want to make another statement on that. At breakfast this morning with a gentleman who just blew in from Newfoundland, where the United States has interests there, where Britain has interests there, and where, I think, Canada also has interests in that base—perhaps this should not go on the record, Mr. Chairman.

—On resuming:—

Mr. HARRIS: Before the witness retires I want to say that I am not satisfied with the administration of your department. There is room for a great deal of improvement in it. There is not close enough co-operation between your department and munitions and supply.

The WITNESS: I admitted that, sir, and suggested a change.

Mr. HARRIS: I have kept an open mind on how closely you can co-operate with the Department of Pensions and National Health. I beg of you to give consideration to this point, that they have been operating for twenty years. I have no brief for them at all.

The WITNESS: No, sir.

Mr. HARRIS: But they have had experience, and I do not admit your statement in section 7 which says, "I do not agree that Department of Pensions and National Health can buy cheaper than munitions and supply". I do not agree with the witness' statement that it is inconceivable.

The WITNESS: It is inconceivable to me, sir.

Mr. HARRIS: Let me finish my statement. Mr. Chairman, I think in a small country like Canada that things which may not be conceivable must become conceivable because we cannot stand the cost of duplication in this little country. We are not a big country. I do not submit to No. 7. Do not misunderstand me. I have no brief for D.P. & N.H. I abhor the patronage system under which they buy. But I say this: They are doing a very efficient job in spite of the handicap that they are under with patronage. When they say it is inconceivable and when this department says that they would rather have munitions and supply because it is devoid of patronage—

The WITNESS: No, I did not say that.

The CHAIRMAN: He did not say that.

The WITNESS: I did not say that.

Mr. HARRIS: That statement was made to me, that munitions and supply was devoid of patronage.

The WITNESS: Not by me.

The CHAIRMAN: Not by this witness.

The WITNESS: Not by me.

Mr. HARRIS: Then I will ask the question.

By Mr. Harris:

Q. Is the Department of Munitions and Supply devoid of all patronage?—
A. Are you asking me? I do not know.

Mr. Sissons: I hope so.

Mr. HARRIS: Say yes. That is the best answer.

The WITNESS: I do not know, sir.

Mr. HARRIS: Well, I am sorry you said that.

Mr. GLADSTONE: I may say that the opinion is that patronage, if you can call it that, goes to the party to which the hon. member of the committee belongs.

Mr. HARRIS: That is the first time I mentioned that word. I will not mention it any more. But I say there is a very minimum of it in pensions and national health, from my own observations—not that I have tried to get any, but I do not think there is very much there. I cannot quite agree with such a set-up.

The CHAIRMAN: Of course, Mr. Harris, keep in mind that we do not necessarily agree with any statement made by any witness.

Mr. HARRIS: Quite so.

The CHAIRMAN: Our duty is to hear the evidence, weigh their opinions and in our own good time, after due consideration, come to a conclusion.

Mr. HARRIS: I beg of the Department of National Defence to break down this—not to break it down but to avoid this tendency that they are running their department and nothing else is transpiring in Canada, that there is just the Department of National Defence.

The CHAIRMAN: That is true of all departments, I think.

Mr. HARRIS: Let the national defence department get themselves around to the view that other departments want to help in this war effort; then have the Department of National Defence realize that we civilians want to help in this war effort. Give us a chance to help them. If they are not going to do that, by God we will break down the Department of National Defence, because the Dominion of Canada is bigger than that one department, and they have got to be reasonable. They have got to listen to us. The hon. member for Wellington made a very reasonable suggestion this morning—not that we want to necessarily carry that out—with regard to using these services but at least recognize them. I say that that answer to your question, No. 7, certainly does not meet with my approval. I think it is conceivable that in many branches of the service the Department of National Defence can get help, not only from other departments but also from outside organizations, provided of course that they are all interested in winning the war. I give you that criticism, Mr. Chairman, to this witness as cold-bloodedly as I can give it to you. I am not through with it. I will tell you that now. At the same time I want you to know that my interest is one hundred per cent in helping to win the war.

The WITNESS: Certainly.

Mr. HARRIS: Let the chips fall where they will as far as you are concerned or any other individuals of the Department of National Defence, provided I am not hurting the war effort in any way whatsoever. I challenge any member of this committee, Mr. Chairman, who finds any thought whatsoever of anything of a political favour; then I will wash out of the picture entirely. I will not permit any politics. They are out. I will not permit any tendency by the Department of National Defence to ignore this committee. I want you to know that we are supreme. We are the creature of parliament. I want you to know that we are trying to do a job, and I want you to know that we are going to co-operate one hundred per cent; but in doing that co-operation we are going to use all the facilities in Canada, whether it is pensions and national health, whether it is Red Cross or civilian organizations and we will conscript them into service to help you do a job so that we can win this war. In the meantime my last word to you, as a member of this committee, is that I am not satisfied with the administration of your particular work.

The WITNESS: I cannot say that I am either. I cannot say that any department is perfect.

Mr. GLADSTONE: All members of the committee share your views, Mr. Harris, as to the absence of any political consideration.

Mr. HARRIS: Thanks very much. You are being very kind.

Mr. HANSELL: I think in the course of the entire thing we should recognize that there is a huge organization that has had to be built up within a short space of time; and naturally you are going to find some little discrepancies or inefficiencies at first. I have always held the view, and still hold the view, that if there might be any blame attached to any inefficiency—this goes for the whole war effort—perhaps we have need to fix that blame on pre-war activities. We knew certain things were going to happen, and we knew that dictators had to be dealt with, and yet war broke out before very much was done. That goes for every department, and I think that should be recognized. We went around to these stores yesterday and it is quite an organization just the same. To buy all that stuff, to distribute all that stuff and have all the machinery to do it perfectly within a short space of time is a hard job just the same.

Mr. GLADSTONE: I notice, Mr. Chairman, mention in the morning papers of the appointment of an assistant director general of medical services.

The CHAIRMAN: Col. Snell.

Mr. GLADSTONE: As a matter of information, I was wondering how that appointment would come about. Does it come within the scope and authority of the director general of medical services or does army council handle it or how is an addition like that made? Have you any knowledge?

The CHAIRMAN: None at all.

Mr. PICARD: I presume it would be done by cabinet on recommendation of the Minister of National Defence. Col. Snell is the former head of the medical branch of the medical services.

The WITNESS: Yes.

By the Chairman:

Q. I notice, incidentally, that he is in charge of inspection?—A. Yes.

Q. Do you happen to know how far inspection, as used in the morning paper, proceeds or what the scope of that is?—A. He is inspector chiefly of hospitals, of records and patients and check-up.

Q. He has nothing to do with inspection of medical supplies?—A. No. He puts in a report if he sees anything wrong, or anything that is wanted.

Q. General supervising and inspection of all?—A. Yes.

Mr. PICARD: I understood from Col. Snell, to whom I spoke a few days ago, that he was a former head of the medical services and was pensioned, and was called back into the service a few months ago to take charge of M.D. 7, to inspect all medical services throughout Canada in all its aspects, independently from all the other branches of the medical service.

The WITNESS: The only thing he does not inspect is the treatment of patients. Col. Warner does that.

By Mr. Picard:

Q. There is one item which I should like to mention. The witness might not be the proper one to deal with it. I do not know if our sub-committee has power to deal with it. I have always been interested in the transport of troops and the conditions given to the national defence by the different railways in Canada and so on. I see here that one of the duties of M.D. 3 is pointed out to be troop trains, sea transports, ambulance trains and so on. Would the witness care to give any information as to the conditions given to us by the railways, as far as that is concerned?—A. No, that movement of troops is covered in routine orders. When troops move certain medical equipment is required and that is supplied from district stores.

Q. Do you also have control over the transport of wounded soldiers?—
A. That is under embarkation; it was under me until this new department
six was formed.

Q. So this item here— —A. Only applies with respect to equipment.

Q. It is no longer under you?—A. No, except if they decided they wanted
a hospital car we would get that—the C.P.R. supplied one and the C.N.R.
one—that is under the direction of the Director of Supply and Transport.
We are only concerned in so far as the interior arrangements are concerned.

Q. I mean this, as to the cost and so forth of transporting wounded soldiers,
that will not come under you; that is a separate branch?—A. Yes.

Mr. GLADSTONE: It may be pleasing to you, Mr. Chairman, and to the
other members of the subcommittee to know that the very existence of the
War Expenditures Committee and the work that it is doing is permeating all
the services at Ottawa to a very good end.

Some Hon. MEMBERS: Hear, hear.

Mr. GLADSTONE: Even in the barber shop this morning I overheard barber
shop gossip as to the results that were likely to occur from our work; and
it can be reiterated, what we have said before, that we have not been
antagonistic to anybody, that our desire is to co-operate and help. We perhaps
may be able to put our finger on some of the weaknesses or places where
improvement can be made that would not be readily discernible to those
that are continuously on the work. I am sure we are all working together and
that much money is going to be saved for Canada.

The CHAIRMAN: I think we are all agreed on that.

Mr. PICARD: I agree with Mr. Gladstone, and the present witness or any
others who have appeared before us I hope will take it for granted that
whatever we say by way of suggestion or criticism is intended purely to be in
the best interests of war service. The only object of our criticism is the hope
of being of service to the country and where we find fault it is only for the
purpose of trying to bring about an improvement in something that happens
to be before us.

The WITNESS: Certainly, I understand that, sir.

Mr. HANSELL: We are casting no reflections on anyone.

Mr. HARRIS: I wish to thank my colleagues who have apologized for me.

The Witness retired.

The committee went into executive session.

AFTERNOON SESSION

The CHAIRMAN: The witness to-day, as you know, is Doctor Ross Millar,
of the Department of Pensions and National Health.

Doctor ROSS MILLAR, Department of Pensions and National Health, recalled.

By the Chairman:

Q. I have here, Doctor Millar, and I want you to identify them, these
photostats.—A. These are revised, are they?

Q. Yes. This is a confidential statement, Doctor Millar, I take it, of
the present hospital locations, the bed capacity, the additional emergency beds
available, the beds under construction, the proposed additional beds with the
estimated costs, and then certain tables showing the costs of fixtures, furnish-

ings, etc., in the proposed bed extension, with certain other additional information? That is correct?—A. Well, I did not know this was being prepared. I presume it is right, but I can check it with my figures here as to the bed strength.

Q. Doctor Wodehouse furnished this?—A. Yes. I do not know whether he has checked up with the bed strength. Some of these figures do not agree with my figures, the present bed accommodation at Halifax, for instance. The submission that I made to you there is the correct one. I do not know who made these figures up; they were made up without consulting me at all. However, that is immaterial, if you will work on my figures here.

Q. Yes, but I wanted to furnish the committee with copies.—A. They have all copies of this. This is the correct statement. They have the copy of that. That is Appendix A of my submission.

Q. But my point is that there is considerably more information on this than on your statement. It gives us a certain estimated cost of the proposed bed expansion that I thought would be of interest to the committee, and I take it since Doctor Wodehouse sent it to me under a letter dated July 28th, it would be reasonably correct?—A. The costs on the right hand side there would be correct. The cost of the additions would be correct. For instance, the 300 beds at Camp Hill, Halifax, at \$150,000.

Q. No, but get my point, Doctor Millar, let us get this clear. Frankly, this is produced by the Department of Pensions and National Health?—A. Yes, sir.

Q. And if you and Doctor Wodehouse have not gotten together on it to agree that this is correct, then we will just postpone it and let you get together.—A. I asked that these figures should be submitted to me before they were submitted to this committee and that apparently has not been done.

Q. We will leave it until we come back.—A. The latter part there, those costs, I cannot question those because I presume they are correct.

Q. You get my point, Doctor?—A. Yes, I understand.

Q. There is not much sense of our going into the details of the incorrectness or correctness of it. I simply wanted you, if you could, to read it as information coming from the Department of Pensions and National Health. If you are not in agreement, and you are the only witness we are having on that, we will postpone this, and you and Doctor Wodehouse can compare it and bring it up to date.—A. Yes. That is right.

Q. This committee has difficulty enough finding out the difference between the different departments.—A. Exactly. That is just an error in our department of two people not getting together on it. I should like to have one of these, if you have an extra one, because the next time I am here before you we can have the thing corrected between us; but you can work on those figures.

Q. We are hopeful that we shall get through with you to-day, Doctor. What you might do is consult with Doctor Wodehouse and correct it and bring it up-to-date and either you or he can send it to us by letter, certifying to its approximate correctness. Then I can file it for the benefit of members of the committee.—A. Very well.

Q. Have you any information of your own that you care to lay before the committee in addition to what you have already given?—A. Yes. But it is of a contentious nature and I would suggest that it may be open to misconception if published, and therefore I would prefer to give it to you in camera.

The CHAIRMAN: This is in camera, Doctor.

(The Subcommittee concluded its sitting in camera and adjourned until 3 o'clock to-morrow.)

(NOTE.—The sittings of July 31 and of August 1 and 6 were held in camera).

AUGUST, 7, 1941.

The Subcommittee met at 10.30 o'clock. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: We have a quorum, gentlemen, and so in order to save time we will proceed. We are sitting in camera.

Mr. HARRIS: Before you sit in camera, Mr. Chairman, I have a statement to make; first, I object to your sitting in camera; secondly, the sitting in camera was supposed to be the prerogative of the committee not of the chairman. I want to put on record a letter I received from you, Mr. Chairman, to me as a member of this committee. I had no information whatsoever that this was to be in camera. The letter reads as follows:

OTTAWA, ONTARIO,

August 2nd, 1941.

Dear Mr. HARRIS.—The committee will meet on Wednesday afternoon next at 3.00 p.m. I have invited Mr. Kelley, Chief Salvage Officer of the Department of Finance, Colonel Dailley, in charge of Salvage in the Ordnance Branch, Air Commodore Tackaberry, Group Captain Farnham of the Air Force, Mr. Coulter (whose rank I do not know) Director of Naval Stores, Mr. Farwell of the Department of National Defence, Mr. McIntyre, Comptroller of the Treasury, to attend at this sitting, and any further sitting having to do with salvage.

My purpose in inviting this group to appear was to have them submit what is being done, and what is planned to be done, with regard to the whole question of salvage. The matter of salvage of waste oil will be particularly dealt with by the representatives of the Air Service and Mr. Farnham. After the submission a round table conference will be held, so that we may encourage a spirit of co-operation and co-ordination between the different departments concerned.

My reason for writing you is to suggest that, until we reach the round table discussion stage, we only interrupt the witnesses for the purpose of clarification, reserving our general questions until after. I think in this way the purpose of the committee can be best served and considerable time saved.

Yours truly,

R. T. GRAHAM,

Chairman, Subcommittee No. 2.

On the basis of that letter, Mr. Chairman, I came to Ottawa. You, as chairman, the members of this committee, the Prime Minister, the cabinet and the House of Commons all of you know exactly my position on this matter. The matter was argued out in the general committee and I voted "nay", and you knew my position. Since this letter was sent out, I kept very close to you as chairman both on Monday and on Tuesday and kept close to the members of this committee—no intimation whatsoever was given to me that you were going to bring this committee into a camera session. In view of the fact that you quoted in your letter the Department of Finance I contacted the Minister of Finance, the Honourable Mr. Ilsley, and gave him this information, in as much as this was an open letter, and asked him if these men, any of them, were in his department; and he said, yes they are, they are very valuable men and they are men who know how to handle themselves before a committee and know what is in the interests of Canada; and using Mr. Ilsley's words, there is nothing that they would say in a

committee that they could not back up and vouch for; and he has no way of telling whether or not it should be in camera and he goes a degree further and says he does not feel disposed to interfere with the acts of any committee at all.

The CHAIRMAN: That is what I would expect.

Mr. HARRIS: That is sound. That is right. But at the same time he feels that these officers are competent to go before any committee in open session at any time. Now then that is the first point I want to make abundantly clear; I want you to know that I contacted the Minister of Finance and I also went to the members of this committee too; and I want you to know that I am going to carry this appeal to the chairman of the general committee before I leave the city, and I am going to carry it then to the cabinet, and I am going to carry it to the Prime Minister, on what the Prime Minister said on the floor of the house. So much for that.

Now, with regard to the particular problem that we are discussing. I was called by the Minister of Finance to Ottawa at my own expense for two days and the depositions I made to him are confirmed in writing—what I was anxious to do for Canada during this time of war. I have a letter of appreciation from the minister. I also spoke to the Honourable Mr. Ralston; I spoke to the Honourable Mr. Howe and I spoke to the Honourable Mr. Power; and in view of that and what has transpired and the difficulties they were having, and in this committee, you as chairman of the committee asked me if I would carry that report through a little further. That work has been in the hands of these men who are coming here to-day to give evidence. I am precluded from knowing what has transpired since the Minister of Finance called me to Ottawa. I am precluded from giving service to Canada in this regard to the degree that it ought to be given, due to your ruling, not the ruling of this committee, but a ruling made by the Chair; which is out of order. The committee decided—the press report this morning says the committee decided; that is incorrect, the chairman decided that.

The CHAIRMAN: No, that is not true, Mr. Harris.

Mr. HARRIS: All right, that is my information.

The CHAIRMAN: No. May I interrupt you there; I think you forget that the rule of all committees is that we sit in camera except where the committee deems it otherwise desirable.

Mr. HARRIS: To follow through and make my position clear—

The CHAIRMAN: Just let me complete my explanation there: the rule of the committee is that all committees sit in camera unless each committee should otherwise decide for itself; so that we open always in camera unless we otherwise decide.

Mr. HARRIS: No notice to that effect has been given to any member of the committee at any time. I have something to say about notices, now that you brought that point up; let me finish my statement.

I want you to try to get some realization of the position you have put me in in this committee. You know something of my business background, I think all of you know something about it—but that does not matter at all. I put this question to you: what right have I to remain in business in competition with everybody across Canada in the line of business that is associated with the subject matter that is being discussed now; what right have I to have access to any information which might be divulged here, information which my competitor would not have access to? I could not for one minute sit and listen to something which might be of benefit to me personally—and I will not not so sit—and I hope you appreciate that position. If this is an open session and those in business of the same kind as I am in can sit here and listen to the evidence, then that is fair and above board; but it would be impossible for anybody, for

me, in handling the business that I am presently handling—four factories which are associated with this evidence that is being given—to sit here and listen to evidence; and I cannot sit. I hope you appreciate that position; and the evidence that is coming out here, 90 per cent of it, is all of a kind that should be wide open; not that I am making any plea that I may be of some service. I am quite satisfied with the set-up of the committee, but you must realize that position. I do not think members of the committee realize the position they are putting me in if I sit in here and get private information as to what is going on in business, if I get information that is not available to my competitors. So much for that phase of it.

Now, we will move to the next subject: what use are we going to serve in assisting the public, in assisting Canada. I have said it on a score of occasions, that the work of this committee has scarecrow value. If the scarecrow is left in the barn and the crows that are raising the dickens here and there across Canada are not scared out of the cornfield, what use is it going to be, Mr. Chairman?

So much for that phase of it. Let us move to the next phase: The public are inclined to be suspicious, not sensible people but the class of people that like scandal—you know the kind I mean, we call them yellow—that class of people we have in our midst; they like to stand on the street corners and gossip about what is going on. Now, you are putting us in the position when you sit in camera of giving them something to gossip about and you are encouraging that class who destroy morale. You are encouraging also, Mr. Chairman, that class of press known as yellow journalism to be suspicious, and to that extent you are destroying the usefulness of this committee. So much for that class of the Canadian public. Let us move to the next class of the Canadian public who are anxious to do a war job on behalf of Canada. Our duty is to inspire confidence in those people, and we cannot inspire confidence in those people if we sit here in camera and they not sure just what we are doing. Inasmuch as over ninety per cent of our work is of a kind that they ought to know about so that they will be encouraged, I am making this last appeal to you, as chairman; and when I make the appeal I say to you in fairness that you have been very generous all through this piece. You are in a difficult spot, because those that surround you have not supported the generous views that you have taken with regard to the representations that I have made. But at the same time I am not leaving this committee until I make abundantly clear to you the position that I have been placed in. I want that position made abundantly clear, not from any selfish interest that I am going to serve—as an individual it does not matter about me as a member of this house at all—but in the realm of the national economy as a whole, in the matter of national confidence in government and in committees such as this and establishing some confidence in this committee within the ranks of your own party and all parliamentarians. You of all the chairman, have perhaps done more to help that difficult position, but I say in this case you have not done enough and you have slipped here in not looking after one of the members of this committee—referring to myself—who is in the position that he has been placed in by a snap ruling that came out of the clear blue yesterday.

I want to be quite fair to you before I leave you and say that if you decide to think this matter over, and if you decide to answer my letter that I wrote you last night, containing three lines and reading as follows:—

“Dear Mr. Graham:

“Please let me know today when you expect to resume open session of Sub-Committee No. 2.”

I shall be very glad. I cannot sit here and kick my heels around a desk doing nothing. I am not built that way. But I will be available to you; I will fly here any time you want me for an open session. But in fairness to me you cannot ask me to sit outside the door and cool my heels.

In closing, Mr. Chairman, I would ask you to give some consideration to the particular spot that you have put me in; and bear in mind that I am going to carry through with this, and I will do it in the best and most honourable way I know how to in the interests of Canada first, and sound government; and I will protect you as best I can because you have been generous to me. So much for you, Mr. Chairman. As for the other members of this committee—I have never at any time had the pleasure of working with a finer body of men. They have been fair and decent all through, and it has been a great pleasure to have been associated with this committee; and this committee as a whole, in my opinion, have saved the moneys intimated by the member for Wellington in open session. I am satisfied that hundreds of thousands of dollars have been saved to this country. I am satisfied that on Monday and Tuesday of this week your work alone on those two days, one in the hospital field and one in the food supply field will save hundreds of thousands of dollars to Canada—just the thing that you have started, not that you have set out any concrete proposals but you have started something. In the meat packing industry I am satisfied that if the ideas that were brought forward at our meeting there are put into effect at once, the saving in the armed forces, in the hospitalization of the defence services, the economic saving to Canada will amount to hundreds of thousands of dollars per year; and I look forward with some hope, Mr. Chairman, of putting that same economy into effect right through the whole of Canada, including the civilian population. I think our little trip to Lansdowne Park, when you were kind enough to let the suggestion be brought forward, was the starting point of that movement; and I am satisfied if we follow through on that we will save hundreds of thousands of dollars a year to Canada's national economy.

I appeal to you again, even right now, before I leave this room, to give consideration to what I have said this morning. If I am going to be precluded from sitting in here, you will take the full responsibility for it. If I am precluded from being of as much assistance as I would like to be in the work that these men are doing, you in your judgment on this matter will take the full responsibility for it. Everything that I have said here is wide open to the country. I am asking for a copy of this, and that copy will go to your general chairman, to the ministers of the Crown affected and to the Prime Minister. I am asking to have copies of the statement I made here this morning.

The CHAIRMAN: I presume the other members of the committee will wish to say something on this, but I just propose to state my position as your chairman very briefly. I have no hesitation in saying that the committee has I am sure, as a whole, regardless of our political affiliations, appreciated the contribution that Mr. Harris has and can make to the work of this committee. Because of that, and with a sincere desire to make use of his knowledge and his experience and his capacity, this committee has pursued the practice of sitting more frequently in open sittings than has, as is well known, any of the other committees. So much so do I appreciate, as chairman, Mr. Harris' contribution, that I can assure him that while I cannot see my way clear, as your chairman, to change my decision that I think it advisedly proper to hold the meeting this morning in camera yet I do say to him that I will be glad to consider with the other members of the committee the point raised by him. I would point out again, however, that the rule laid down by the committee as a whole, and therefore binding on the sub-committees and in fact included in the authority given to us by the House of Commons, was that we were to sit in camera except where each individual committee deemed it otherwise advisable.

Mr. HARRIS: Each individual committee, not each individual chairman.

The CHAIRMAN: I mean, the rule is to sit in camera unless we change it. It is not to sit in open session unless we decide to go in camera. The technical rule is that we sit in camera unless we decide to go into open session. So there I have not offended in not consulting the committee. You will notice that yesterday I attempted only to give you my opinion based on knowledge of the evidence that the witnesses were going to give. I have repeated on more than one occasion that it seems to me that certain phases of our work warrant publicity which is valuable, and other phases of our work can best be accomplished in the interests of the whole country by sitting in camera and inviting responsible heads of departments to speak freely before us and without any thought of reactions and difficulties which may result. We invite, as it were, their complete confidence in assisting a group of parliamentarians to carry on the task that has been allotted to them. So far as Mr. Harris' own personal position is concerned in his business, I would remind him of course as a parliamentarian he has to discharge that function with a degree of fairness and ethical standards that he himself, as a member, is well able to discharge, and that nothing we can do of course, can change the position in which he finds himself as a man engaged in a certain business. Then he must discharge his duties as a member of the House of Commons and a representative of the people. I would also remind Mr. Harris—and I say this to Mr. Hansell—that as Mr. Hansell well knows, this discussion has taken place frequently before the committee as a whole, was thoroughly debated and the will of the majority decided the issue. In this committee the same subject has been discussed and again I think Mr. Harris must, in fairness, keep in mind that rightly or wrongly the will of the majority must be respected; and using what measure of wisdom we have collectively, and accepting the decision of the majority, we can do nothing else than to follow what we think is the fair and proper rule in each circumstance.

With regard to the letter which Mr. Harris wrote me and which he has read into the record, I may say to the committee that I replied indicating that in my opinion the sitting this morning should be in camera. I thought at that time the evidence would be confined to Mr. McIntyre but it has been enlarged because Col. Dailley told me he has other suggestions which he wishes to lay before the committee, and I got in touch with Mr. Farwell who had to leave yesterday and he is coming. All of these witnesses, in my opinion, can best serve their purpose and our purpose by these meetings being held in camera. I do not think I need add anything to that. I hope that as Chairman I have attempted not to exceed the authority that is given to me as such or try to impose my unconsidered will upon the committee in its work.

I think you all recognize that because of the fact that I do know, partially at least, the witnesses who are to appear and the evidence which they will give, I do have the opportunity of having the facts which must be weighed when coming to a decision as to whether we should sit in camera or in public. And while I would give a great deal, Mr. Harris,—a great deal—to be able to persuade you, despite the stand that you take in this matter, that you can still best serve the purpose that I know you want to serve, the welfare of Canada's whole economy, by giving way to the will of the majority, whether it be right or wrong, in this instance I cannot change my opinion; and I must say this to Mr. Harris, that I perhaps would have mentioned to you my decision to advise the committee that these sessions should be held in camera except that I did notice, under Mr. Gladstone's persuasion, that you did sit with us in camera on one occasion. I frankly assumed that you had weighed the factors in the matter.

Mr. HARRIS: I did not sit officially here. The fact of the matter is, Mr. Chairman, that when you slip out of one stage to another, I barely hear you. It is just by the merest chance that I hear you. I was not sitting in camera here for an hour yesterday. I had barely heard the word, I just caught it; I

saw one gentleman going out of the door and I wondered what had happened to him and I called back again to know what you had said. It is difficult to catch your words some times.

The CHAIRMAN: In reply to your letter, Mr. Harris, I did not deal with the question of when we propose to go back into public sittings, for the reason that it seems to me the Committee cannot foretell until we know the type of evidence to be given by the witnesses appearing, and each sitting must to some extent be decided on its immediate requirements. That is all I have to say. I regret very much, Mr. Harris, if you find it impossible to—

Mr. HARRIS: Let me make an observation now concerning yourself acting as chairman. I made a statement here this morning and that statement is now being discussed. There are other members on this Committee. Do you not think as Chairman of the Committee that it would be in a little better form if you would listen to the discussion of the other members before you sum up the situation and make a ruling?

The CHAIRMAN: Because I had already given the Committee my opinion.

Mr. HARRIS: As you have done on many other occasions.

The CHAIRMAN: Perhaps I have been guilty in that respect.

Mr. HARRIS: You are a man of some experience and standing, and you know something about these things. I will admit that I am only a layman, I have no legally-trained mind, but, at the same time, I say to you as Chairman of this Committee that it might be good business for not only you but me to have the opinion of some of the other members of this Committee rather than giving your judgment on the questions before the Chair and precluding the ordinary members of the Committee from getting their own ideas gathered together, so that you as Chairman, and you as a neutral chairman, do not use your position to guide what is running through the minds of the members of this Committee. I say that as Chairman of the Committee you have fallen down in that respect throughout the whole of the proceedings.

The CHAIRMAN: That is your judgment, Mr. Harris.

Mr. HARRIS: That is my judgment, and even though I am a layman I served in the last thirty years as Chairman of many committees, not as important as this one, but you can take my judgment and back it up by the conduct of the Railways, Canals and Telegraph Lines for five years. I refer you to Mr. Hungerford, Mr. Vaughan and their entire staff, as well as Sir Edward Beatty, and the whole conduct of that Railway Committee for five years. Without going outside of this building I think that you have no right as Chairman of this Committee to prejudge the decision you are going to give in these matters and give a decision without asking the members of the Committee what they have to say. You should ask them one by one whether they have anything to say or not, and let them function as members of a committee and not cut them off in a like manner to the way I have been served with regard to this complaint.

The CHAIRMAN: I invite discussion by members of the committee. Mr. O'Neill.

Mr. O'NEILL: Mr. Chairman, first of all I wish to express my regret that this question has come up. I believe, in my limited experience, that you have made an excellent job of the chairmanship. I believe also, and I say this with apologies probably to the rest of the committee, I believe that Mr. Harris' business experience makes him, not even vying you, Mr. Chairman, the most valuable member of this committee. He has had long experience as a parliamentarian. He has had long experience in connection with hospital directorates and hospitals which is very valuable to this committee; and engaged in the business that he is in he is exceptionally valuable to this committee; and I regret very, very much that he feels that it is a duty that he owes to himself and

to his ideals of business ethics not to continue to sit on this committee. With respect to holding meetings in camera, while it is my opinion from the experience I have had since I have come to the house—I know from my own personal experience that I will not speak with the same freedom if you are going to have one of these fellows here from the press because they report the very thing they should not report and they report it in a manner that distorts the meaning absolutely. Now, you have a gentleman here giving evidence. I can quite understand that a man here does not want to give evidence freely unless he knows it is in camera when possibly that evidence is in opposition to the opinion of his superior. If this thing is going to be broadcast in the newspapers in the way that the newspaper reporter chooses to put it, well, you are just simply not going to get the information; so you are going to destroy the effects of the committee. It has been my opinion right along that these meetings will be held in camera unless the chairman decided that it would be O.K. to hold them in public. Now, that has been my belief. Whether I am mistaken or not, I do not know. Now, with respect to business ethics; I am not a business man and I am not a professional man, so I know very little about that; but I do know this, that before I could take my seat in the House of Commons I had to swear allegiance to the Crown. Now, in the course of my daily routine as a parliamentarian if I come upon information that I should not use to my own advantage I think that if I did use that information that I would be breaking faith with the oath which I took. I do not think that any fair or reasonable minded man would accuse Mr. Harris of unbusinesslike ethics; I do not think any reasonable minded man would. Now, with respect to these scandal-mongers and these yellow journalists, Mr. Chairman, if you had a committee composed of angels Gabriel it would still be just the same, there must be something wrong, Satan has crept in somehow. I know from my own personal experience; I was raised in the town of Kamloops and from the time I was a little kid nobody ever said anything about me except possibly that I was a little bit too human and liked the women and liked horse-races and liked lots of things perhaps I shouldn't have; however, I raised my family in that town and now since I have become a parliamentarian there is nothing under the sun that they do not accuse me of at election time; and no doubt the same thing applies to Mr. Harris in his riding, and to these men here—the minute a man gets into the limelight of public life it seems that he ought to be in the penitentiary—and the same thing is going to go on with respect to this committee; whether you hold it in camera or in public they will tell you you are holding closed meetings, that after the witnesses go away or after the reporter goes away you come back and you concoct something. They will say that about you now; so, I do not think anything can be gained by holding meetings in public; as a matter of fact, I think everything is to be lost by holding meetings in public. And I do certainly think, Mr. Chairman, that some way should be found that you can continue in your office; and certainly, by all means, that Mr. Harris can continue to sit with us, because I believe if we lose Mr. Harris, if he cannot see his way clear to sit with us—and I certainly respect his opinion—I would think just as much of him if he decided to walk out of here as if he did not, and I assure him that I will continue to think just as much of him if he decided to—but I do sincerely hope that he will see his way clear to continue to sit with us. If we lose him I believe we will have lost the most valuable member of the committee.

The CHAIRMAN: Mr. Hansell.

Mr. HANSELL: Mr. Chairman. I was not on this committee last session. I am a comparatively new man on the committee, and I would like very much to see a record of the discussion that took place in reference to the in camera meetings; because I am at some disadvantage in not knowing and in not having

looked over the record of that discussion. I have been more or less leaving it to the members who have been on the committee over the months to determine what is the right thing. However, I do wish to say that I did have some little responsibility in this whole matter for the reason that my group elected me when they presented my name to the Prime Minister as one who should sit on this committee. And I know, and you men know, that anything that is said here by a member is subject to criticism by other members. Now, I remember it being said on several occasions that the discussions and sittings of this committee were positively non-political. Mr. Harris himself has played the game very well along that line. I think if it had been political perhaps I might have walked out with Mr. Harris yesterday. I did not do that because I had to use my best judgment—

Mr. HARRIS: And there has been absolutely no collusion.

Mr. HANSELL: No collusion whatever, it came as a complete surprise to me. I must say I was extremely sorry because I felt Mr. Harris was the most valuable man we have on the committee on that particular discussion of salvage. However, I thought from my knowledge of the procedure that it would follow from the inception of the committee that perhaps I could serve the country a little better by staying and listening to the evidence and asking what questions might come to my mind. Now, I would like to say this, Mr. Chairman: there are some things in reference to the carrying on of our in camera meetings that I just don't quite understand. Last year I was on a very important committee, Defence of Canada Regulations Committee. In that committee we made a distinction between the in camera meetings and the secret meetings. I do not know if that distinction has been made in this committee or not. There the in camera meeting was a meeting where the record was taken but the public was excluded. At the secret meeting even the record was not taken. I think we have seen that that same principle might work here, because while the record is being taken day after day, when we want something kept secret we simply say to the reporter, this is off the record; and it is off the record. Now, I want to point that out, because as a matter of fact, what is in a name? I want to suggest that anything that goes on the record is not secret. Let us apply the principle; here is the witness who comes forward to give some private evidence. We may say to the witness, now, it is all right, you can say what you like, this is an in camera meeting; and he looks over at the reporter and says, oh, well, I don't know so much about that; if what I am saying is being taken down and is down there, certainly my superior officer has access to it. Now, if he does not say that, psychologically it is so. So I feel, Mr. Chairman, that our meetings perhaps should be open, and if there is anything that we desire should not be known as revealing something to the enemy or as being detrimental to Canada or the public, we should just simply say at that time to the reporter, now, you might keep that off the record. We know that members of parliament have access to the record; ministers of the Crown have access to the record; of course, they have. So, we do not need to fool witnesses by saying this is in camera, say anything you wish, it will not be revealed—the only people to whom it is not revealed is the press.

Mr. O'NEILL: That makes a big difference.

Mr. HANSELL: It is a big difference. But all you have to do is play the game with the press, and they have played it with us. Every time we have said, this is off the record, they have kept it off the record. The press have played the game with us. I am inclined to think we should have our meetings as open as possible and whenever anything is of a secret nature that we keep it off the record.

(Discussion proceeded off the record.)

So I say there are many times when certain things should not go out of the committee. I am inclined to think that very much that has been said would have been of great help had the public itself known about it. I think that is all I have to say, Mr. Chairman.

The CHAIRMAN: Mr. Sissons.

Mr. SISSONS: I have very little indeed to say, Mr. Chairman. The general committee laid down the rule, after considerable discussion, that the meetings should be in camera, unless the committee or sub-committee otherwise decided. My understanding of the regulations regarding the evidence was that only four copies of all evidence would be transcribed and that no one had access to that evidence except the members of the committee themselves. I did not understand that any superior officer or anyone outside of this committee had access to any of this evidence at any time.

On the particular point before us to-day I am quite prepared, Mr. Chairman, to whole-heartedly support the ruling that you have made. You had the advantage of interviewing the various witnesses. I think it must necessarily rest with you to say whether or not the meeting should be turned from an in camera meeting to an open meeting. There are two grounds upon which the meeting should be in camera, it appears to me, whether the evidence may be of material aid to the enemy, and secondly, and much more important, whether you can get as free and frank a discussion in an in camera meeting as you might in a general meeting. In this particular case we had before us representatives of various departments. There may be quite a conflict in their views, and that conflict has already appeared in a minor way. I do not think it is in the public interest that we should use this committee as a sounding board for inter-departmental quarrels and I do not think those witnesses would frankly give us their views if they thought it would be interpreted as a quarrel with some other department; and yet we must have their frank opinion. Therefore I feel very strongly as you had interviewed these men, knew what conflict there was, knew what their evidence would broadly be, it rested with you and it was your duty to say that we follow the usual procedure and that this meeting would be in camera and would not be a general meeting.

I do not think that I have anything further to say on the principle. I am entirely in accord with the idea that this should be an in camera meeting; but I do wish to join with you and with the other members in expressing how very appreciative we all are of the invaluable service which Mr. Harris has already rendered to this committee, to parliament and to Canada and the great service that he could continue to give in this regard. I am very very sorry that I have to come to the conclusion in my humble opinion that he is taking a wrong attitude.

Mr. HARRIS: I object to that word "wrong."

Mr. SISSONS: That is in my opinion. He takes his attitude according to his light as being the correct one, but I think it is the wrong attitude. It is purely a matter of opinion. I regret exceedingly that he could not come to the opposite viewpoint. I think he would be serving himself, parliament and Canada much better if he did that. As he has come to that conclusion it is not for me to quarrel with him. His opinion may be right; mine may be wrong or mine may be right. But I do wish to add that very sincere word of appreciation of the services he has already given and my deep regret that he cannot on this matter see eye to eye with us.

The CHAIRMAN: Mr. Picard.

Mr. PICARD: He would be a very poor judge, Mr. Chairman, who would try to pass judgment on a case without having heard the argument of the two

parties. I was not here when this discussion started; but since it more or less hinges around the question of holding meetings in camera and the secrecy of the meetings, I might say a few words.

Mr. HARRIS: I might just help Mr. Picard in this discussion by reiterating one particular point. The matters under discussion are matters which I am associated with in a business way. I have no right to sit in camera and know the general situation which my competitors in business, and I might as well say, my competitors in the operation of hospitals have a perfect right to know. I could not ethically sit and hear this evidence, hear these facts related that those who are in business of a like kind, hospitals, business or otherwise, are not free to have. I could not possibly sit here and hear that information which is not available to them. That, coupled with all the other reasons I gave in the House of Commons and at the general committee together with everything I said this morning makes it impossible for me to sit in this committee during camera meetings.

Mr. PICARD: I thank Mr. Harris for giving me an idea of the views he expressed earlier. I was about to say, Mr. Chairman, that I am a Liberal in thought and in sentiment. I have been a Liberal in politics and still am, because I feel my party has the ideas I have. I would not hesitate to leave my party if I did not consider it carried the ideas which I hold and if I felt they were not liberal enough for my taste. Therefore my inclination is that unless there is very serious reason for it being otherwise any investigation of public affairs should be in the open. That is my conclusion. I think that no matter who sits in power, when a department of the government is investigated, the public should have access to everything and know the truth about everything. There should not be any hiding of this or that for particular reasons, because first of all the people who administer those departments or who advise the ministers and others who are in the government, those who really do the work, are out of politics. Many of them are of a different political party from mine. I do not think I would be serving my party as I should if I tried to prevent things from leaking out to the public. That would not be my attitude. My first inclination is to have every investigation of every department in the open, no matter who may suffer from it, even if it should be brought back to a ministerial responsibility, even though things may come out that I do not like and even, as I said before, if it was brought back to a ministerial responsibility. I think it would be right to have it in the open, have the abuses corrected and then claim merit for having corrected the abuses. In that way we would look more virtuous afterwards than if we left it to our political opponents to discover afterwards anything that should be discovered and then claim the merit for having done so. That is one aspect of the question as I see it. I would be inclined to hold open meetings for all government investigation.

In this case we are dealing with something that is not at all a public issue; it is an administrative one. We are trying to find out ways of economy. We are trying to find out if the officers who are entrusted with the administration of the Department of National Defence and other departments are doing their job economically as well as efficiently. We are not experts as to the efficient way of their operation, but we are in different walks of life and we are able to judge more or less as well as the public or the country is able to judge in general. Therefore we have a right to go into all their records and all they have to say. In most things that have come before us I think our subcommittee has gained by having these meetings or let us say nine-tenths of them in the open, and I am inclined to think it would give the public some confidence in the committee if that were carried on. This is not a committee set up to inquire into sabotage and methods of subversive propaganda and so on like the Committee on Defence of Canada Regulations. This is entirely different. We are looking into

administration. We are trying to find out what is the best, according to our limited means of knowledge, and we are trying to find out if there have been splurges of expenditures that could have been avoided. We are trying to find out if there may be economies that we can suggest to the different departments. Therefore I think it has been wise for us to sit in the open most of the time.

Let us take the question of the principles first in general and then I will come back a little later to Mr. Harris' point of view. Let us take the question in general. I am inclined to say up to now everything that has been said we have been on the right track in keeping it in the open with this restriction that we can say to the reporter now don't take this in shorthand and it will not be taken. Mr. Harris has volunteered to sit on the committee when we are acting in this way. He himself often times has given quotations from documents and has said he thought it would be better if it were off the record.

MR. HARRIS: I was the first one to initiate that.

MR. PICARD: He was the first one to do that and he was also the first one who said he did not like in camera meetings. When he has come to certain things he did not want reported he has asked that it be left off and we have never objected and we have had the secrecy we wanted. As far as the newspaper reporters are concerned once or twice in their comments on what took place here they may have drawn conclusions which most of us would not have liked, but generally they play ball with us. They listened to things that Air Commodore Ryan declared secret and they did not publish it. They have acted the same way as far as all the other evidence is concerned. My inclination therefore would be in favour of having the words "in camera" struck out. We are in camera all the time more or less. All that is said here is in a general way not for public consumption; yet the newsmen, being here and being allowed to report what we did not consider to be a secret, have performed a public duty. If the public were informed by a short resume of what took place here they know that we are doing something, that we are working in the public interest.

I admit very frankly when the rule was established by the general committee that the meetings were to be in camera I was not in favour of it. I probably was one of the few. I did not raise my voice and I accepted the decision of the majority; but I am inclined to be in favour of open meetings for the reasons I gave, first on the political side and then so that the public be informed and so on. It works just as well if we have the meetings in public and the reporter is asked not to take certain things down and the newspaper does not publish it. Now we come to the point where we have to decide whether we can carry on with this system that we have been carrying on up to now, or if we should change and accept your views as to having the meetings in camera. I will be very frank. Yesterday when you proposed that, I would have supported your views, Mr. Chairman; if it had come to a vote. I would have voted in favour of an in camera meeting, because you told us that you were convinced that the evidence was highly confidential. Now, just as frankly, between friends—although my judgment may be poor—I will tell you this: when the afternoon was over there were only two items in the whole discussion which I considered as being really of a secret nature. My judgment may be poor, but outside of that I did not find anything highly confidential. However, you are the chairman; you have seen the witnesses and listened to them, and I am again ready to believe in your judgment and to say that I was wrong about yesterday and support your decision; yet I do that with a qualification and with a request that you would consider carefully your decision so as not to let a valuable member of the committee go out on a question which he has put on a better foundation, according to my views, than he did in his speech in the house. I mean, the reasons he gave us this morning are better, to my mind, than the ones he gave in the House of Commons.

Mr. HARRIS: Mr. Chairman, on that point I should like to say that I do not think any man, as a member of the Canadian House of Commons, has a right to discuss his own private affairs in the House of Commons. This is a committee. Evidence can be given here which of necessity is of a kind that cannot be given in the House of Commons. As long as he makes his position clear, the details are not something that are of concern to other members of the House of Commons.

Mr. PICARD: That may be so. But as far as I am concerned, Mr. Harris' speech in the House of Commons did not convince me. But to-day I am convinced that he is in a very peculiar position, and I understand his point better from what he said this morning than I did from what he said in the House of Commons when he explained his views. I think this morning the way he puts it is fair, that he might be criticized and he might be embarrassed by his opponents—let us say his competitors in trade or by the directors of other hospitals if evidence he gathered here in camera might be construed by them as being of some value to him. Whether he is satisfied with my opinion as to what he stated in the house or not, while I respect his views I may say I was not convinced. Yet to-day I think he has made out a strong case and I feel we should hesitate before having a decision given which would deprive us of a valuable member. Now, Mr. Harris must be honoured and even surprised at having so many flowers strewn across his path by the other members who have said he is a useful member of the committee. I agree with them. I know he is a good business man.

Mr. HARRIS: That is unnecessary.

Mr. PICARD: No. He is a good business man; he has qualifications which in this particular field make him very useful to the committee, having regard to the questions we have been studying—the salvage question, the supplies question, and by accident because he happens to have been attached to one hospital, the hospital question. I think we should hesitate before setting a rule or a decision—which would—if there is no very important issue in the evidence that is to come before us—deprive us of a member, and of a valuable critic from the other party; because I am democrat enough to believe that the other party has the right to express their views at all times, and that their views, balanced with ours may be right sometimes. I claim that mine are better, but I believe theirs may be right, let us say forty per cent of the time.

Mr. HARRIS: I will not express any political views on this committee at any time.

Mr. PICARD: No.

Mr. HARRIS: I have not mentioned the word. I am sorry the word "political" has gone on record now, coming from my lips. It is the first time it is on the record. But I am forced to say it because of this. But I will not, under any circumstances, give this matter any political consideration.

Mr. PICARD: I congratulate Mr. Harris that up till now he has played the game well. But let us face the facts and be frank. Politics enter into the minds of a lot of people. Mr. Harris may be one of the happy few whose minds it does not enter into. But that may happen. What I am going to say is this. We should not deprive ourselves of—let us not say a political, but rather a valuable critic, a man of experience. Let us put it that way: we should not deprive ourselves of a man of twenty years' experience in parliament. I think we should think twice before doing that, Mr. Chairman, because I think we could carry on with the system we had of having the meetings in the open, and whenever a witness or a member of the committee would think that what is said should be confidential or should be kept off the record, he should say so, whether it is the witness himself who feels that what he says should be off the record or whether one of the members of

the committee objects to that particular part. I think we all have co-operated. When we have asked that, Mr. Harris has accepted, and when he has asked it we have done the same. So I think we should carry on with this system. Yet I admit that if you insist that within your knowledge you know what is to come before us is so highly confidential it should be in camera, I will abide by your judgment. But I beg of you to consider carefully because it would not be to the public advantage to have splurged in the press that a valuable member of the committee has gone out for reasons which will meet with the approval of a lot of people, the principle that he has advocated this morning that he should not get in camera information that other people would not be able to get publicly. I am sorry if I have spoken at too much length and displeased some of the other members, but I have given views as best I could.

The CHAIRMAN: All right, Mr. Gladstone.

MR. GLADSTONE: Mr. Chairman, my remarks will be very brief. My views were expressed fairly well at the meeting yesterday. I find myself in agreement in large part with the position just taken by Mr. Picard. Of necessity, in the preparation for these meetings, our chairman has had to interview prospective witnesses. He has had to endeavour to get some understanding as to whether or not, through their positions or service, they may be able to bring some information to the committee that will be helpful in its deliberations and the work that is charged to our responsibility. That very thing gives to the chairman advance information that is not available to the members of the committee and evidently there comes to him the necessity of making a decision as to whether or not it is in the public interest in this time of war to have certain information made public and broadcast throughout the country in the newspapers. I am sure we will all agree that our chairman has been a hard worker; not only a hard worker but a most capable and efficient worker, and we owe to him a debt of gratitude for his most efficient handling of the work of this committee. The function of a newspaper reporter is to get news, and it is recognized that commonplace statements of facts and progress being made do not attract much interest to newspaper readers or give the opportunity for the display headlines that newspapers often seek. One would have a feeling of criticism towards some papers these days who flash in bold head-lines "Where is Churchill?" In this connection with publicity, I would say this. I must say that the reporters who have come here have regarded the request for confidence. I do not know of any breach. But I do think it is unfortunate that, in the news they send forth, they do have regard for the spectacular and the critical, and they perhaps use every effort to make it as striking as possible; and it is unfortunate also, I think—seriously unfortunate—to the work of this committee that to any statements that are made which they consider good news, they must attach the name of the member who makes that statement and particularly that they must indicate to which political party he happens to belong.

MR. HARRIS: Hear, hear.

MR. GLADSTONE: It seems to me that in future open meetings here it would not be out of place to indicate to the reporter that he must not mention any member's name and certainly that he must not indicate the political party that he represents in this parliament. I do not think any of us, as members of this committee, are seeking publicity for ourselves; because if we are it immediately throws our work into the realm of political controversy over the country and back in our own ridings. I think that sort of publicity should be banned in our meetings. Inasmuch as the chairman in his wisdom and knowledge of the details that are immediately before us has concluded

I believe, that this particular session in which we are engaged now should not be open to the press, I think we should accept his ruling and have this session completed in that way. That does not mean—

Mr. HARRIS: Mr. Chairman, there is no ruling given yet.

Mr. GLADSTONE: That does not mean—

Mr. HARRIS: I would like that corrected, Mr. Chairman. With all due respect to the honourable member for Wellington, there has been no ruling given yet. If there has been a ruling given, I want to know. I am not here. There has been no ruling from the Chair so far. You are canvassing the committee now.

The CHAIRMAN: The committees are always in camera, technically, as I say.

Mr. HARRIS: I beg your pardon?

The CHAIRMAN: The committee sits in camera technically until the committee decides to sit in the open.

Mr. HARRIS: There has been no ruling given in this sitting.

The CHAIRMAN: Go ahead, Mr. Gladstone.

Mr. GLADSTONE: What I was about to say was that when we have concluded this session, by some method of getting together I think we should further consider this situation and try to arrive at a fair understanding of our procedure for the future. I am exceedingly anxious that we should retain the co-operation of Mr. Harris on this work because his business experience does fit in to contribute much to the various aspects of the responsibilities of this committee. I think that is all I have to say. I hope that some means may be found, after we get through with these witnesses whom I am sure are anxious to get away, of considering this whole matter and coming to a conclusion which I trust may, somehow, be unanimous.

Mr. O'NEILL: Mr. Chairman, I do not know whether I am in order or not, but there is one observation I should like to make, if I am in order.

The CHAIRMAN: Yes.

Mr. O'NEILL: If I am not imposing on the committee.

The CHAIRMAN: You are quite in order. I think the only thing we should keep in mind is, as Mr. Gladstone has pointed out, that the witnesses are waiting. But I feel that any member should be allowed to express his views.

Mr. O'NEILL: I shall only be a moment.

The CHAIRMAN: Go ahead.

Mr. O'NEILL: Mr. Picard in the course of his remarks said that he was not in agreement with the principle of in camera. To my mind, Mr. Chairman, that is not the idea. I am not in agreement with that principle either.

The CHAIRMAN: No.

Mr. O'NEILL: But we must take this into consideration, that our parliamentary procedure is based on that principle. Every once in a while I ask questions in the house and I get the reply, "It is not considered in the public interest to divulge that information." Now, that is the camera principle. I do not agree with that principle, and I do not agree with it here, but the majority seems to agree with it and I am democratic enough to abide by the will of the majority.

Mr. GLADSTONE: Mr. Chairman, I presume that all cabinet meetings of every political party are in camera and that the members are positively sworn to secrecy.

The CHAIRMAN: Yes.

Mr. HANSELL : Mr. Chairman, I do not know whether I am going to be in order this time, but with all due respect to you, Mr. Chairman, and I believe that you have made an excellent chairman of the Committee, I should like to move, if it is in order, that this morning's sitting be regarded as open, and that anything considered to be of a delicate character be kept from the record.

Mr. HARRIS : I would second the motion, Mr. Chairman.

Mr. PICARD : Mr. Chairman, am I in order to speak to that?

The CHAIRMAN : Yes.

Mr. PICARD : Before you put the question may I ask my colleagues to consider this question as above personal matters and to look at it very carefully. I again state that I respect the Chairman's views. I like the way he has presided over our meetings, and so on. I appreciate the immense amount of work he has done, I respect his views, yet I say that I would be very favourably inclined to accept as a constructive suggestion, let us say, as a concession to one of us, this question of principle which must be respected. If it were not for the point raised by Mr. Harris this morning I would say, "So sorry am I to see him go, but let him go." But with the statement he has made this morning I think it is hard to take issue, and I would be very favourably inclined to consider as a concession to the good will of this Committee that we should accept Mr. Hansell's proposal in order to carry on our work.

If at any moment during the proceedings—let us have this agreed—one of the witnesses, or you, Mr. Chairman, say, "This part is in camera," we will accept that part for the sake of the principle of having all the members in the Committee and of obtaining the most efficient work from this Committee.

I beg of you to reconsider this question very seriously and not to allow, on a question of principle, one of our members to leave.

Mr. SISSONS : Mr. Chairman, I wish to raise an objection there. I understood Mr. Picard to make some reference at the beginning of his remarks to his colleagues not allowing personal interest, or something of that kind, to enter into the matter.

Mr. PICARD : I did not say "personal interest," I said "personal views." My point is this. I respect the Chairman; I would dislike to vote against his views, but I would like, in view of what has been said, and for the sake of maintaining good will, and so on, if he would reconsider his views on the matter and let us all think very seriously before we take a further step in the matter. My remarks were not intended as a reflection on any member of the Committee.

Mr. SISSONS : If there is any suggestion in there that any member of this Committee is not acting at all times in accordance with his real judgment—

Mr. PICARD : Oh, no, I am far from wanting to imply anything of that nature. I will tell you very frankly that I respect the Chairman. He seems to think that this should be in camera. I like the Chairman; I would not like to displease him, but I would say let us not consider this as a personal question. Let us see the broad principle ahead. I respect the point of view that has been raised, I think it is right as far as Mr. Harris personally is concerned. As I said before, the point he raised this morning is very hard to refute. If it concerned any other matter, I would say, "If he wants to go, let him go." But on a question like this I think we should not. Saying "personal" is not a reflection on any of us. We have all worked fairly; we have all been very attentive and assiduous—let us take some credit—and far be it from me to suggest that anybody has not acted fairly.

We are all human. When we have decided a thing, we are inclined to stick to it. I felt up to this morning that Mr. Harris was that way—even if it displeases him—that he was carrying this idea too far, because he has stated it once, but the matter he brought up this morning is very different and worthy of our consideration.

Mr. GLADSTONE: Mr. Chairman, the witnesses of this morning have heard all this discussion and will presently be giving evidence. I realize that as a result they may withhold some things that otherwise might have been given, providing it is distinctly an open session. But even with that handicap under which we may be labouring of not getting some information that we otherwise would get, I feel that in the interests of the forward work of this Committee, and to enable it to arrive at some procedure for the future, it would be well if we could accept at this time Mr. Hansell's motion.

Mr. O'NEILL: It has been my understanding right along that the general committee set up laid down the rules that all these meetings would be in camera except where in the judgment of the Chairman they should be open meetings.

The CHAIRMAN: No; except in the judgment of the Committee.

Mr. O'NEILL: Except in the judgment of the Committee?

The CHAIRMAN: The Subcommittee.

Mr. O'NEILL: I was going to say that if it was in the judgment of the Chairman that motion would not be in order.

The CHAIRMAN: I think the motion is properly in order. I can assure you, because of the oft-repeated nature of Mr. Harris' remarks, that I know well his attitude on this particular question. Before I proposed to the committee that it should not be a public session I have always weighed the possibility that Mr. Harris would feel embarrassed by that position. But, Mr. Picard, having done that, I consider that you have omitted in your reasoning the very important point touched on by Mr. Gladstone in the very nature of things. You cannot get from departmental heads who are called upon as these witnesses are this morning—for instance, Mr. McIntyre of the Treasury branch is not simply going to give us the benefit of common departmental practice but all his thoughts on this subject, representing as he does a very important branch of government.

Colonel Dailley 'phoned me this morning that since yesterday's meeting he had caught the viewpoints from which we were approaching this problem and, having formed some ideas, wished to give the Committee the benefit of those ideas.

The subject Mr. Farwell is dealing with does not specifically come under him, it comes under the Quartermaster General, but he is an expert in that particular line and is prepared to give the Committee the benefit of his experience. Now, to me it would be a waste of our Committee's time not to utilize these witnesses in the best possible manner, and it is for that reason and that reason alone that I would strongly urge the Committee that this sitting to-day should be—having in mind only the purpose of the Committee—held in camera to give an opportunity of frank expression of opinion.

Mr. PICARD: Mr. Chairman, I think Mr. Hansell's proposal covers that. The principle is to have the meetings open until such time as the witness interjects something that should not be disclosed. That is what he has proposed. I think the point of view is this; just to have the principle established that the meetings will be open. It is just a question of establishing the principle that the meeting is open and the minute the witness says that this part of his evidence or all of his evidence should be in camera because of the secret nature of it, Mr. Hansell and Mr. Harris will accept it. Do I understand that correctly?

Mr. HANSELL: Yes.

Mr. PICARD: The principle that is being established is to have the meetings open and the moment a witness comes along and says, "I would like to have this evidence of mine for personal reasons, or for reasons of efficiency, private and in camera," I am positive that according to the proposal of Mr. Hansell they will accept that and we will save the two principles.

The CHAIRMAN: That is a responsibility which it seems to me should not properly be placed upon the witness. This Committee must decide the method by which the Committee is to carry on.

Mr. PICARD: We do not know what the witness will say.

The CHAIRMAN: I would not want to come to this Committee and state that I wanted to give my evidence in camera; I would prefer very much that it be set up in camera so that I could speak freely.

Mr. PICARD: I think the witnesses have been quite frank and when they have wanted something not to be publicized they have told us. I am sure the gentlemen who are here to-day have very definite views and would not be afraid to say that these views are in camera. I know that yesterday when Colonel Dailley did not want to answer a question he took his position squarely.

Mr. HARRIS: That is the opinion of the Minister of Finance as well.

The CHAIRMAN: Dealing with the Minister of Finance, he does not come into our picture at all. We are completely free from ministerial interference, and that is only proper having in mind that we are a parliamentary committee to check things that come under ministerial control. So that that does not come into our deliberations or decisions at all.

But I feel it my duty as your Chairman to say that I feel very strongly that this type of committee sitting should be in camera, and if you are prepared now, in order to get down to our work—we have held the witnesses back—I will put the motion.

Mr. HANSELL: I wish to point out that there is another principle in this motion that is important; that anything that is considered of a delicate character be kept from the record. That protects the witness doubly.

The CHAIRMAN: But, Mr. Hansell, that is an impossible suggestion because we have to gather a great volume of evidence which we cannot carry in our memories. It is taken down so that when we come to the task of considering it we will have it all before us. Otherwise, we would be leaving out the most important part. That is another reason why I think the meetings should be in camera.

It has been moved by Mr. Hansell, seconded by Mr. Harris, that this morning's sitting be regarded as open, and that anything considered to be of a delicate character be kept from the record.

Mr. HARRIS: I ask that this vote be recorded, Mr. Chairman.

— On division, the motion carried.

The CHAIRMAN: That places me, gentlemen, in a rather difficult position.

It is 12 o'clock. I think we will adjourn. Would it be possible for you to come back here at 2.30?

Colonel DAILLEY: Yes, Mr. Chairman; could we get going at 2.30?

The CHAIRMAN: It will be possible to let you know then.

Mr. O'NEILL: We have been having our meetings at 3 o'clock in the afternoon. I am sorry, but I had arranged to meet a gentleman in my office at 2.15. I hope I will be through—

The CHAIRMAN: All right, Mr. O'Neill; we will make it 3 o'clock.

The committee adjourned at 12.05 o'clock p.m. to meet again this day at 3 o'clock.

AFTERNOON SESSION

The committee resumed at 3 o'clock p.m.

The CHAIRMAN: We will call the committee to order and ask Colonel Dailley if he will be kind enough to take the stand again.

Lieutenant-Colonel W. G. B. DAILLEY, recalled.

The WITNESS: Mr. McIntyre wants to get away, would you mind taking him first?

The CHAIRMAN: I would like for Mr. McIntyre to hear your evidence.

The WITNESS: Very well.

The CHAIRMAN: Colonel Dailley, as I have already stated, since appearing before the committee yesterday and listening to the discussion, has prepared certain recommendations which he thought might be desirable to present to the committee. I told him that we would be very glad now to hear them.

The WITNESS: I mentioned to you gentlemen yesterday something about publicity. I have been putting some thoughts on paper and I will pin these up here where you can see them (pinning certain posters on the wall in front of the committee) and that will give you some idea of what we have in our minds regarding publicity.

The CHAIRMAN: Apparently you are trying to humanize advertising.

The WITNESS: I think you have to in this particular day and age.

The CHAIRMAN: Will you make a note that Colonel Dailley's posters will be entered as exhibit 2 of to-day's proceedings. They are presented as examples of the type of publicity his department proposes to carry out in respect to the army.

The WITNESS: I do not think I would make a record of that, my reason for that is that they are just a beginning, facts that we have in mind. They have to come through a lot of barbed-wire entanglements before they are authorized, but I thought I would just give you some idea of what was in our minds with respect to delivering the message of economy.

By the Chairman:

Q. They will be posters?—A. They will be small posters, and they will be in all ordnance depots, camps, training centres and so on, trying to tell the message to the troops that you are paying for the goods and they should look after them.

Q. Did you have it in mind that you supply officers would give lectures?—A. That will take place in time; working toward economy all along the line. However, I was just showing you these to give you some idea of what we had in mind. Whether they will be adopted, or anything like them, I am not prepared to say. I shall now show them to my chief and if he approves then we can go to the publicity department and ask them to draw something which would possibly be acceptable to higher authorities. Then, if they are authorized you may see them in print. So, therefore, that is just to give you an idea.

Now, after yesterday's meeting, from the discussion that went on among the gentlemen present I was very anxious to get your views on disposal and salvage. I was not prepared at that time and I would not permit myself to give any snap decision. I wanted to listen to what was being said and what was in the minds of the people of the committee. So, therefore, my observations now are based not on investigation nor on my own experience in the last war. My knowledge of merchandising—and I leave this thought in the minds of the committee—may be of some use to you in formulating your resolutions or your decisions. Now, there are two other—before I start there is a point I would like to clear up, and that is the question of the underwear that I mentioned

yesterday and which our friend here (Mr. Hansell) seemed rather concerned about. That condition arose in the latter part of the war when we were losing ships, particularly in the Mediterranean, and our troops were coming back from Serbia and that part of the world and owing to the climate they were taking the heavy underwear away and issuing good summer underwear—they were furnished with a new line of underwear, and after it was fumigated and even washed we had it examined and the eggs could not be killed; then, rather than throw it away or burn it and possibly also run the risk of not getting any new supply, instructions were given to issue that particular supply; and that was in the British army. You must remember that on active service you do things that you would never do under what is taking place here in Canada to-day. An active service man has to put up with certain things that are not necessary under training conditions. I just wanted to make that perfectly clear. It is not our intention in any shape or form to do that in Canada.

By Mr. Harris:

Q. What kind of eggs?—A. Lice eggs.

Now, the gentleman over there left the impression in my mind because I was dressed up in uniform I had lost my previous knowledge of merchandising; and I might say that there are possibly hundreds of men with merchandising experience who have now joined the army because they felt they could do a better job in uniform. As a matter of fact, I refused to go back into uniform when I first came here until I found that that was the best way to do my job which I volunteered to do and was asked to do, and that is why I went back into uniform. That has not changed, I hope, my previous knowledge of thirty-four years of merchandising experience, because I happen to have a uniform on. Now, just briefly and quickly: The disposal organization board in the last war set up by the government was broadly speaking composed of experienced business men who were in charge of certain sections of stores, stores that they were very familiar with. For example, there were no cases of a blacksmith being put in charge of a watch repairing department. They were specially selected men and they were experienced business men, and they were appointed to take charge of and to dispose of certain groups of stores under the Chief Comptroller; in fact, he was the Minister of Supply, as a matter of fact. Now, amongst the personnel there were a considerable number of temporary officers like myself, and there were a number of civilians—

Mr. HARRIS: Like myself, if I may add that.

The WITNESS: Like yourself.

By the Chairman:

Q. Are you speaking of Britain?—A. I am just giving you the set up of this board.

Q. But I mean, in Canada or in Britain?—A. In Britain. This is the disposal board as to the last war, civilians who were demobilized and a lot of them were experts in certain lines of trade who advised the comptrollers as to the value of certain goods. Now, the financial control of that was placed in the hands of the treasury office, and a good deal of the selling end of the line was conducted and carried out in the main by business men, men who had business experience. There were very few civil servants on the selling end. Now, stores were sold by private tender—at least, by private treaty—under the authority of the official higher up; and also by public auction and also by public tender. In other words, there were three methods of selling them.

Now then, our set-up at the present time in the army salvage and disposal board, we have three ways of selling stores. The Order in Council that has

been authorized, if you will study it I think you will agree with me—and any business man will agree with my claim that it is a very sane business document—and in my own mind I haven't the slightest doubt in saying that we shall get as good if not better prices for our goods and produce than possibly we have been getting in the past, owing to the fact that we have three methods of selling; that is going to help. We shall also have officers some of whom have been selected who are business men and know the business and will be stationed all over Canada who will inspect these stores for disposal and conditions as to local business conditions and set up; and in that way possibly we shall get closer to our disposals throughout Canada and thereby get a better price, and that should also be a help in spreading the material out to the best advantage. Then, they would take care of disposal arrangements and make sure that things are packed in the most economical way. I may as well confess that at the present time we have discovered where goods possibly of a very small value have been put in a single package worth 75 cents. Now, the salvage officers will act not only on salvage operations but they will also act within certain limitations as salesmen. Now, the present method as I understand it—and I stand to be corrected—stores are not always inspected that are offered for sale. It would not be possible to inspect them, possibly in some cases because it is too far away from Ottawa. Secondly, if you are to examine prices you will find a spread of four, five, six or seven cents on some classes of produce apparently when the differential and the freight rate does not justify that spread. Now, we have taken up the question of packages and you will find some stores that have been in packages, as I say, which are not worth nearly as much as the package. Within the present set-up, as I say, there is just one selling method and that selling method is by public tender. I do not think that is always a good selling method and I am very doubtful if one would always get the best price when you come to dispose of a quantity of obsolete stores that will soon be put on the market, and the quality of surplus stores which you will be called upon to handle not only from the army but from the navy and the air force as well, and also probably manufactured goods which the Ministry of Supply will have on their hands. That is all by public tender and the quantity will be such that you will not be able to handle it, therefore, my suggestion for your consideration is that the salvage operation that is taking place now in the various services should continue, and that in time—not to-day but possibly in six months time—that there is a selling organization; and when I say a selling organization I do not mean the salvage organization. The selling organization should be under one head, with deputy controllers who would be experts in their particular line. For instance, you would have to get an expert man in the automobile business to advise you and advise you correctly as to the disposal of surplus automobiles and the likes of that. They should be men with merchandising experience, merchandising experience in its truest sense of the word. You would have to have valuers to give these men advice as regards the value and current market conditions, and in some cases you would have to control the market or hold goods back so you would not upset the present domestic market. In the last war a considerable quantity of stores was held back for the reason why, if they were put on the market, how could you get the returned men working in peace-time activities? The present salvage officer in the treasury department at the present time is selling and also transferring goods to various other departments, that could easily be carried on, he could operate and act as liaison officer between the various government departments and the selling organization. But I do not think it is good business for goods of a similar nature to be sold by two different organizations, and very often the goods are in the same locality. It may be feasible and profitable in some cases

to make a carload lot and take those goods to where they are going to be used or where their market is. At the present time that is not so, owing to we will say duplication of selling similar goods, and I am referring now mostly to produce. So I come back again to the same point and that is this, that I think the order in council that has been published and is now beginning to function is a good, sane, business proposition and I very much doubt if any other business organization could put it up any better.

MR. SISSONS: Have you that order in council?

The CHAIRMAN: No. I was just going to ask. Do you recall the number of that order in council?

The WITNESS: 4679.

By the Chairman:

Q. That is P.C. 4679, dated June 25, 1941?—A. Yes.

Q. We can get a copy of that?—A. Yes; and that is well worth studying.

The CHAIRMAN: Col. Dailley has forwarded a memorandum to me. I will put that in as the next exhibit. I think it will be Exhibit 31.

By Mr. Picard:

Q. May I ask which of the two organizations, the one in the army or the one in the treasury, was functioning prior to the other?—A. The treasury department.

Q. Is there any particular reason why the step should have been taken to take part of their duties away from them and give them to the army?—A. Well, that is possibly a question that somebody else should answer. All I know is that somebody conceived the idea that we could make a better salvage operation and possibly quicker and more effective and better disposal operation of obsolete stores, and that is why this order in council was authorized.

Q. That is a question of policy from the minister—I mean from the heads of the department?—A. Absolutely.

Q. I am sorry I am always late, but I suppose in the memorandum the reasons for that new institution are contained?

The CHAIRMAN: No, I do not think so. I do not think Col. Dailley attempts to deal with it except as a fact.

The WITNESS: In the order in council the reasons why are given.

By Mr. Picard:

Q. The order in council contains that?—A. Absolutely; it contains the reasons why.

By the Chairman:

Q. But they are not in the memorandum?—A. No.

By Mr. Picard:

Q. I will tell you the reason I am asking you that. Yesterday in your evidence you stated that this action had been taken as a result of two or three memoranda which you had written to the minister of war services.—A. The outcome of the order in council or set-up was developed from the original scheme of last November; owing to my knowledge I felt I should be in it and help out. My company relieved me of my duties.

Q. That is why I thought it was quite proper to ask you where the reasons for this new set-up were from, because I heard you state yesterday that the department had acted after you had made representations.—A. I think that is so, and after they saw the condition of affairs. Victor Sifton, I presume, was the instigator of that move. That is all in the order in council.

Q. That is all in the order in council?—A. Yes; absolutely.

By Mr. Hansell:

Q. Your organization is confined to the army, is it?—A. Absolutely.

Q. It does not take in the navy?—A. No.

Q. Do you know if there is a separate organization for the navy?—A. I could not say.

Q. How about the air force?—A. Well, the gentlemen last night told you that they were doing real salvage operations. I presume the navy are doing likewise.

Mr. PICARD: Who will tell us, Mr. Chairman, about the set-up for salvage of the kitchen material and so on, such as bones and fat.

The CHAIRMAN: Col. Webb is the one in charge.

Mr. PICARD: He will appear before us.

The CHAIRMAN: It is under the quartermaster general's branch, of course.

Mr. PICARD: It is not under the ordnance?

The CHAIRMAN: No. That is all, thank you very much, Colonel.

Mr. HARRIS: Just a minute. With reference to that salvage of kitchen material, will you repeat the name you mentioned?

The CHAIRMAN: Col. Dailley.

Mr. HARRIS: No—the one mentioned in answer to Mr. Picard's question.

The WITNESS: Col. Ralph Webb.

The CHAIRMAN: Yes, Col. Ralph Webb.

By Mr. Harris:

Q. Before the witness leaves, I should like to ask if you have an inventory of the goods which you purpose to salvage at all times available?—A. We shall have, yes.

Q. You have not that at the present time?—A. No. The reason why is because the obsolete stores committee have only just started to function, and the list of stores has not been declared obsolete. Until those stores are declared obsolete we cannot function. Army must say whether they are obsolete or likely to be used.

Mr. HARRIS: I want to make an observation which I hope is constructive. When that inventory is compiled, I am going to suggest, Mr. Chairman, that it might be good business for those charged with the responsibility of operating this department to catalogue all these materials that are going to be disposed of, so that the best possible price can be secured for them. I have in mind three or four actual cases of organizations who are unable to find used equipment. First they are unable to get a priority to buy new equipment; secondly, Mr. Chairman, they are unable to find used equipment to keep them going. The same organizations at the same time are being asked by departments of government to expand their facilities. I will give you a simple example. There may not be such a machine lying idle in the departments, but just as an example we will say that an Elliott Fisher Underwood bookkeeping machine is required at once. First, you cannot get delivery for nine months. Secondly, you have to wait for priority to get that machine. In the meantime, those wanting that equipment get to know, by advertising and so on, where there is one. But if this department had this catalogued in such a way that it could be readily picked up, they would find a very ready market for it. I just seize that as an illustration. I do not say they have one. I use that really as an illustration. This witness is charged with the responsibility as far as the army is concerned in the matter of salvage. I find that those inter-

ested in trying to help this work along function only in one military district. Here at Patawawa, for example, it is discovered that it is not in military district No. 2. The ordinary civilian does not know anything about districts, and the waste that is going on there and the salvage that is taking place in Petawawa; all those interested in military district No. 2 in the buying and tendering on those products had no notice of salvage being available in Petawawa. I was hoping, Mr. Chairman, that this officer would see fit to make sure that people right across Canada, regardless of military districts, should know what is required of them so that they can render a better and more efficient war effort rather than restricting the activities to districts.

The WITNESS: Well, Mr. Harris, as far as the Army, Salvage and Disposal Board is concerned, the organization will be such that there will be an army salvage disposal officer looking after districts where the number of troops justifies the expense. But where there are few troops, one officer may look after three places. His job will be to visit every place. However, we cannot dispose of goods until they are reported by the District Ordnance officer that these goods are for disposal.

Mr. HARRIS: The point I am trying to make, Mr. Chairman, is—

The CHAIRMAN: The overlapping of the districts.

Mr. HARRIS: We have a large concentration of troops at Debert. At Saint John, and I do not know whether Saint John is in the same military district,—

The WITNESS: No, it is Halifax.

Mr. HARRIS: But in Saint John there are facilities to give service to Debert, but Saint John does not get to know what is wanted.

The CHAIRMAN: I think what Mr. Harris has in mind, Colonel Dailley, is this; that I take it that Petawawa's large adjacent market would be Toronto, would it not?

Mr. HARRIS: I beg your pardon?

The CHAIRMAN: Toronto would be the largest adjacent market to Petawawa?

Mr. HARRIS: I have no brief for Toronto. Toronto does not get to know, because Toronto is in M.D.2.

The WITNESS: We shall know. I shall know.

Mr. HARRIS: Speaking of Toronto, this is the first time I have ever had the pleasure of seeing you—that is perhaps my fault—but the people in Toronto who are engaged in this line do not even know you exist.

The WITNESS: Admitted. That is true. It is not for me to advertise the fact, but they soon will know. They will soon know by advertisement and by catalogue. Everybody will know.

Mr. HARRIS: By catalogue?

The WITNESS: Absolutely.

Q. That is what I am suggesting.—A. Furthermore, just before I left found we had a small quantity of stuff at Kingston, and if we can put it in an empty lorry or half-empty lorry it is better to send it to Toronto.

By the Chairman:

Q. You are not going to recognize Military District lines?—A. No, no. I have got to cover the country, and I have got to get the best price.

By Mr. Harris:

Q. I should like to ask is there any suggestion that the witness can give us as to how we can avoid the selling of this salvage material by two or three different organizations? Is that under study by anyone? Is it under study by

those charged with the responsibility of salvage? Before you answer that question I make this observation. I was not satisfied with an answer which you gave just now when you said, "I do not know what is going on in the Air Force; I do not know what is happening in the Navy." I suppose the same answer might be given that he does not know what is happening in the national salvage campaign. That may be a statement of fact, but why can we not do something to get all these different—I hesitate to say "duplications", but that is about what they are—why cannot we get all their feet under one table and let us have sensible, businesslike administration of the whole problem, and do not go on the record that this witness does not know what is going on in the Air Force. Of course, he has an idea of what is going on. If he has not, he should have. We should help, Mr. Chairman, to co-ordinate their efforts.

The WITNESS: Mr. Harris, let me tell you this, that you would not know if you had been placed in the same position as myself.

Mr. HARRIS: Forget all that.

The WITNESS: Just let me finish, please. I arrived here in April, and I have been across the country finding out what the army were doing in the way of salvage operations, which was my particular job. Now, if I am not mistaken, if I were to go down to the Navy and say, "What are you doing?" Or to the Air Force and say, "What are you doing?" I should be sticking my neck out.

Mr. HARRIS: And the purpose of this Committee is to help you over that hurdle.

The WITNESS: That is your job. But at the present time I am interested in army salvage.

Mr. HARRIS: Quite.

The WITNESS: And I know enough about the army not to butt into the navy or to have the navy butt into the air force.

Mr. HARRIS: Keep a fatherly eye on all the rest of it at the same time.

The WITNESS: If that comes from higher authority, it will be done.

Mr. HARRIS: That higher authority is going to give it to you.

The WITNESS: But if there is no higher authority, I, naturally, cannot go in and attempt to look after somebody else's business.

By Mr. Hansell:

Q. On the basis of our knowledge that it is through the army that the air force is supplied with their stores, would your organization, Colonel, be large enough to handle the salvage of the others?—A. In time we can handle anything, but you cannot organize a big proposition like this over night.

Q. That is quite so. But your organization would eventually be able to—
A. Will absolutely take care of it all.

By Mr. Picard:

Q. You do not consider that the previously existing organization under the Treasury was sufficient to handle that?—A. My own views are that the previous organization under the Treasury is not suitable for war-time purposes. That is just my opinion.

Q. And could not have been adjusted?—A. I am not prepared to say that.

By Mr. Hansell:

Q. Their work is very largely taken up with transferring goods from one department to another where they can be used. It is entirely a governmental thing.—A. Yes.

By Mr. Sissons:

Q. In connection with the central selling organization that you feel should be set up—A. In the course of time you will have to have it.

Q. Will that be purely a military organization?—A. It could be combined, as far as that goes. As I say again, because a man is in uniform it does not mean that he is not a merchandising man.

Q. Of course, you would wish, would you not, to keep military men largely concerned with military matters?—A. All right.

Q. And the salvage itself in the army would appear to be a purely service matter?—A. Yes.

Q. But after that is salvaged do you not think the sale of it could pass out of army hands and be handled by a civilian organization?—A. Surely it could, providing you have the right men doing the job.

Q. Well, we presume they are.—A. Surely it could.

Mr. PICARD: That is a question of opinion.

By Mr. Sissons:

Q. Do you not think that would be a fairly sound principle to apply?—A. A sound principle, yes. You have got that now because we are combining the two offices into one, and we think it is more economical and more effective. My men are acting as salvage officers and they will also be acting as salesmen. Because they are in uniform—they are all business men. If it is the wish, or if a better job can be done by a man taking off his uniform—fine, so much the better; that does not alter the man's ability.

Mr. HARRIS: Mr. Chairman, may I express an opinion here? I think the man ought to be in uniform. I would reinforce that opinion by saying this, that what we call in the trade the pikers and pilferers who go through the camp in ordinary uniform ought to be eliminated. We ought to eliminate every possible one, and men like this in uniform should be charged with the responsibility for what is happening inside the camp, whether it is army or air force, and get all the rest of them out of the camps.

The CHAIRMAN: Thank you, Colonel Dailley.

We will now invite you, Mr. McIntyre, and Mr. Kelley (if you will just sit with Mr. McIntyre): I invited Mr. McIntyre, the Comptroller of the Treasury, under whose direction Mr. Kelley operates as Chief Salvage Officer, to sit in at this meeting when we were discussing salvage and then afterwards give us the benefit of any thoughts that he has formed on this whole question as to how that salvage should be handled.

Mr. B. G. McINTYRE, Comptroller of the Treasury, called:

Mr. J. C. KELLEY, Salvage Officer, Department of Finance, called:

Mr. McINTYRE: Mr. Chairman, I think that Mr. Kelley yesterday gave a fairly detailed explanation of how the salvage office has been placed under the treasury—perhaps I might say more or less by accident—has carried on during the time since 1936 when we took it over. The present organization is the out-growth or left-over from what started out as a contracts supervision committee which was in operation around 1920 or 1921, perhaps earlier; and it carried on subsequently as a salvage organization, and in 1936 this branch being under the Minister of Finance was transferred to the Comptroller of the Treasury for that function.

By Mr. Harris:

Q. What minister is the treasury under?—A. The Minister of Finance.

Q. It was transferred?—A. Merely placed under the supervision of the Comptroller of the Treasury.

Q. Is he answerable to the Minister of Finance?—A. Yes, sir. The then salvage officer has since passed out of the picture. We had endeavoured to improve the method of disposal in particular the proper tendering operations being carried out in every case where it was advisable; and, all in all, the operations from the procedure standpoint were successful, with this reservation, that it must be clearly understood that the salvage division is dependent entirely upon the services reporting those articles and goods that should be made available for either transfer or disposal. There have been some suggestions that the salvage officer should have an organization under his direction that would as it were look after the salvage for the entire service. My frank opinion on that point is that it would not work, that it would not in itself produce the desired result. In the final analysis it is the service organizations that must decide that an article is no longer useful or of so little use that it would not pay to re-model it or recondition and put it back into service; and it becomes their responsibility to report that for disposal or transfer as the case may be. This organization of ours is a very small one. We have had some increases in staff in recent months. But as an illustration of the small extent attached to it, there was a staff I think of six employees in that branch carrying on the peacetime operations. I myself have given some prior thought to the general question of what should be done to meet the situation, the salvage situation, arising out of the war both during the period of hostilities and more particularly after hostilities have ceased; and that is going to be a big problem. What we salvage now can no doubt be readily disposed of at a fair price, but after the war it is going to be a case of not so much a question of disposal as a question of proper custody and control followed by disposal at the opportune time of the vast quantities of stores and equipment that are to be the result of the operations that are being carried on now by the defence services, and more particularly in the Department of Munitions and Supply. The Department of Munitions and Supply is going to present a large order in this regard. I do not suggest nor want to suggest for one moment that the organization that we have carried on for peacetime operations is anything like sufficient to cope with war requirements; but I do wish to make this clear, that I have a conviction that whatever individual service organizations might be necessary to produce the desired results in this service the whole operation should be centralized under one authority, and I don't mean by that to suggest that it should be centralized in the treasury because I want the committee to understand that we fell heir to this operation that it is more or less foreign to our real scope of activity. It certainly is not the job that accountants should be considered versed in to carry out on the scale necessary under present conditions. Now, in setting up a capable central organization one thought is that it might be established on a three-man board basis and set up with an eye to the future. That organization could well be built to form the nucleus of what is going to be required in a very much larger way after the war is over. Now, beyond that I do not feel disposed to go.

Mr. HARRIS: I wonder if the witness would enlarge on what he meant when he said a three-man board.

The WITNESS: The suggestion of a board I believe needs to be clarified to his extent, that if the correct type of single individual could be obtained to handle an operation like that—the experience of carrying out these commissions or functions by boards would appear to indicate that an individual is better. Now, it may be that something can be said in favour of a board in lieu of a single individual head where this organization is going to have to deal in a very large way with the four main services, namely, the army, the navy, the air force, and Munitions and Supply; and there might be some advantage to

be had from say a three-man board rather than an individual in that case; but if the proper type of individual is obtained to head an organization it should in the end attain the best results, more decisive results.

By Mr. O'Neill:

Q. Would you care to enlarge on just what you mean by the proper type of individual?

Mr. HARRIS: A Moses.

Mr. SISSONS: A Solomon.

Mr. O'NEILL: Perhaps a Solomon.

The WITNESS: Perhaps I could best answer it by relating to the committee the fact that about six months ago I had the matter in mind and I tried to get a line on someone who had experience in a worthwhile way in this matter of salvage outside. One of the sources I turned to at that time was the possibility of a man from an organization like the Canadian National Railways. But the difficulty that we experienced there was that a man charged with salvage operations in an organization like the Canadian National Railways was largely concerned with seeing that the proper transfer of equipment and supplies was made from one point where it was not needed to another point where it was needed, thereby avoiding the acquisition of unnecessary supplies. The actual disposal operation was a small part of their activities. In fact, the individual I had been getting a line on to contact in the Canadian National I found was already in one of the services so I had to give up that line of approach. In the meantime a move was made in the army services to set up this separate organization and I felt that if the work was to be developed along those lines then we would be better advised to continue the central salvage operations as on a peace-time basis and allow these services to take care of their own, if that was the way they were bent on carrying it out. But the object that I had in mind at that time was to try to obtain a man who would be able to carry on first of all the main salvage work that was required on an ever-increasing scale and then at the same time build the nucleus of an organization that would take care of the much larger question in the after-war period.

The CHAIRMAN: I take it, Mr. McIntyre, that you will likely follow with considerable interest the success or otherwise of this army salvage scheme.

The WITNESS: Yes, and I see no reason why that scheme in itself should not prove successful. The only question that occurs to me there is that in the building up of these organizations there is the question of expenses; you must keep it in mind always the return that is being had for the expense paid out. It would be a very easy matter to organize a country-wide salvage organization going from coast to coast with all kinds of field men and all the equipment and so on; but it is my view that should not be necessary at all if the departmental organizations are fully seized with the importance of performing their functions in that regard in carrying out this responsibility as they should.

By Mr. Gladstone:

Q. Taking the peace-time sale of typewriters, tenders are called for quite a number of typewriters of various sizes and various makes and the individual may go down and look those typewriters over and happen to spot a particular one that he would like to have and bids a high price on it. But I have heard that there is little possibility of his tender being accepted for an individual machine, but that they go in a job lot to some re-builder of typewriters?—A. I would ask Mr. Kelley to answer that.

Mr. KELLEY: No, that is not the case. Actually, we accept the highest bid for each individual machine. When the entire lot is not disposed of in that

manner, then the residue is allocated to the people who bid in job lots. But actually, as far as the individual submitting a tender, if he shows the serial number of the machine and his tender is high, that tender is accepted.

Mr. GLADSTONE: I mention that for the reason that after the war, in the demolition of these hundreds and hundreds of offices we have, there is bound to be perhaps thousands of desks, thousands of typewriters, and many rugs for sale, and I just wondered about that.

Mr. KELLEY: It would be a splendid chance for the civil service to renew their equipment and probably get rid of their old stuff. That would be a suggestion.

By Mr. Picard:

Q. Would the witness care to express an opinion as to the advisability of one or the other of the two following systems: one in which the army would have their salvage set-up and the disposal take place by the existing organization, which may be enlarged if you want to—the disposal end of it—or the other proposal that would mean as suggested by Col. Dailley that there should be one central organization looking after the salvage and looking after the disposal, whether it is under the army as contemplated at the moment or whether it is under a board as was suggested a moment ago?—A. I thought I made my point on that quite clear, that my own opinion favours very strongly a central organization to handle this army and other war materials disposal.

Q. Separately from the peace-time organization of the disposal of all the other government materials?—A. I do not think it is necessary to separate it. I do not want the committee to misunderstand me. If the set-up that is considered best involves the transfer of the existing salvage staff and organization and their work to a new enlarged organization, by all means do it. That is my attitude. I am frank to say this, that the whole job, both from now on and after the war, is going to be big enough to set up an organization to handle that in itself and not to have it tied in with any organization such as my own that is now loaded with ordinary, every day accounting requirements that need to be done promptly, including payment of accounts, and other things have to stand aside. One might suggest that a department like munitions and supply that is involved so deeply in the production of materials and the production of manufacturing facilities is the logical one under which this overall organization might be constructed. The only criticism I would offer of that at the present time is that they too have their hands full with the production side at the moment and it might be better to have this organization set up as quite independent, that would gradually work out its own plan and would be in a position then to take over, if you will, from the Department of Munitions and Supply following the conclusion of their own production operations, the officer that would be necessary to carry on the salvaging operations pertinent to their work.

By the Chairman:

Q. I want to get this clear in my mind, Mr. McIntyre. You mentioned the committee or board would be charged with the duty of disposal. Do you draw a distinction between "disposal" and "salvage" or are you using that word to include all?—A. Well, perhaps the best way to answer that is that the word "salvage" as applied to the operations carried on by treasury is in a sense a misnomer. It is rather a disposal and transfer organization rather than a salvage organization; and as far as that goes, there has never been any central salvage organization as such in the government service.

Q. Do you recall the point Mr. Sissons raised yesterday? Go ahead, Mr. Sissons.

Mr. Sissons: The way my mind runs is this, that it is the duty of the civil authority to supply the armed services with the necessary supplies and equipment; then I feel that as long as that equipment or those supplies are of use, they are the entire responsibility of the armed services. But once that equipment or those supplies cease to be of use to the armed services, then they should go back to the civil authority that supplies them in the first place, and therefore that salvage or use of that equipment within the service is a military matter. But once that equipment ceases to be of use to the armed services, then it becomes a civil responsibility and that would pass say to your department.

Mr. HARRIS: In other words, pass into Category "E"?

Mr. Sissons: Yes. I used the illustration the other day that a man who comes into the army, as long as he is fit for armed service, until he is placed in Category "E", is entirely responsible to the army. But once he comes into Category "E", then he becomes the responsibility of the Department of Pensions and National Health. I rather feel—and I am just exploring the way—that the same principle is applicable to the matter of equipment and supplies as well as it is to men. In that way you would have an organization set up there, not only during the war period but after the war period; and after the war is over equipment that was of no further use to the army would go into the hands of that organization, or even equipment that might be useful but was not needed by the army in peace-time might be passed to them, in the same way as a man in the army who is still in Category "A" is treated; when the war ends we do not need him, we hand him back to the civil authorities.

The WITNESS: That is correct; and the decision of making any equipment or materials available for disposal or transfer must, of necessity, rest with the service owning the equipment.

By Mr. Sissons:

Q. Absolutely.—A. It does not matter whether it is a war organization or a peace-time organization such as the Department of Public Works. We cannot set ourselves up as an authority to direct that public works should not keep such and such articles in the expectation that they are going to issue them out again.

Q. No. We are in agreement on that.—A. That must remain with the service.

Q. Having come to that point where the armed service says this article is of no further use to us now, should the armed service then proceed to effect the sale of that or should it then pass it over to the civil authority to be disposed of?—A. That is quite correct, after it ceases to be of any use.

Q. You will agree with that?—A. It should be passed to this central disposal organization.

Q. You would agree with that principle, that it is the same thing as when a man is placed in Category "E". You say to him, "The army has no further use of your services. You go to the Department of Pensions and National Health"?—A. That is correct. I agree with that.

By Mr. Gladstone:

Q. After the last war, how long did it take to dispose of the surplus government materials and goods?—A. I really cannot answer that question, but the extent of our surplus following the last war was small in comparison with what it will be in this war. We, the government, have become involved in this huge production program, all of which is going to produce surpluses, not only in materials, raw and semi-manufactured, but also in equipment, supplies

machinery of all kinds. My recollection of the situation after the last war does not stand me in sufficiently good stead to describe just what happened and how long it took to dispose of those surpluses.

Q. The thought I had in mind is the possibility of hurried fire sales tending to demoralize ordinary business.—A. That is why the organization that is set up now should be so arranged that it will develop not only as a disposal and transfer organization but a holding organization to take possession of these goods and supplies and retain them until they can be disposed of to the best advantage without disturbing the normal channels of trade.

The CHAIRMAN: Are there any other questions?

Mr. HARRIS: May I make an observation, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. HARRIS: I do not want to delay the matter at all. First, I would urge that we recommend that in the interests of national economy, every possible piece of equipment or salvage be put on the market now, provided it is of no further use to the service, for the reason that you will get the maximum dollar value return for that material. Secondly, this committee have not yet touched munitions and supply. This is not the subject matter that is under review, but let me make this observation, that this committee should continue; if you have to take a recess for a few days to look after your own affairs, I am quite satisfied; but it should be continued and we should ask the powers that be to provide the necessary moneys to pay the staff and carry on the work of this committee. The war is not over yet. Therefore this War Expenditures Committee should not be over. We should stay in existence as long as the war stays in existence. One big problem, one of the biggest, we have not touched on yet is the work that is being done by the munitions and supply department. Getting back to the evidence of this witness, I am in accord with the idea that a three-man board of one authority should be given some thought to, with the idea of coalescing the efforts of all these different organizations. The last war was small compared to this one. This is going to be a very large task, and I will put on the record an example of what actually transpired in the town of Trenton at the conclusion of the last war.

Four carloads of 300-horsepower boilers, hot water pumps, cold water pumps, heater and equipment of the very highest class you could find anywhere in Canada—it is still in operation and I can show it to you—were bought at scrap iron prices in the town of Trenton. I personally supervised the loading of the cars and the wrecking of the plant and the moving of the equipment. It was perhaps bought in an orderly way but at a price of one-quarater its value.

I recite that as an example to urge, Mr. Chairman, that in the matter of national economy every possible dollar's worth of salvage be gone on with now. If you want another example I will give you an example I heard about concerning harness which had been lying around for three or four years, deteriorating no doubt, yet there is a real market for that. At the conclusion of this war there will be no market for that harness, which I think is in store and in supply.

In that regard the matter of cataloguing and co-operating with all these different branches of salvage is a matter that should be gone on with and gone on with at once. I think this Committee, Mr. Chairman, is going to be responsible for seeing that there is no delay, even if we have to inconvenience ourselves and be here. I want you to consider the matter of taking that up with your colleagues, the matter of us carrying on this job.

The CHAIRMAN: Mr. Kelley, have you anything you care to add?

Mr. KELLEY: I believe we have covered our operations fairly well.

The CHAIRMAN: Then we shall call Mr. Farwell.

FRANCIS FARWELL: Executive Assistant to the Master General of the Ordnance, called:—

By the Chairman:

Q. Mr. Farwell, in order that the Committee will have some knowledge as to your capacity for the job you are about to discuss would you be kind enough to briefly outline what has been your life work?—A. First of all, I would like to say that I was called into this merely in an advisory capacity. The function of the supply and transportation of oil is a part of the Quartermaster General's branch, and ordnance as such has nothing to do with it, but because I had had experience in the reclamation of oil in the running of a large fleet of trucks and buses, they asked me if I would assist them. That is why I come into it. It perhaps would be more appropriate if there were here to-day a representative of the Quartermaster General's branch and not myself.

I have operated large fleets in Canada for over twenty years, in the reclamation of oil used in these fleets. It is a highly technical and very delicate job. In the reclamation of oil you must eliminate various things. If oil in your engine has been used for 2,000 miles it has a large amount of acidity, it has water and it has gasoline as well as other loose ends and solid substances. If in using 500 barrels of oil you made a mistake on just one barrel you might ruin 100 engines in 100 vehicles. It is highly technical and a very delicate thing to handle. For that reason it has to be approached with great care and everything has to be watched in the greatest detail.

Periodically samples of reclaimed oil must be sent to National Research or the Toronto Testing Laboratories or Milton and Hersey in Montreal. You have to check your machine and the process to make sure that every barrel of used oil that goes in has been watched carefully to be sure you know exactly what is in the barrel, and when it comes out that barrel has got to be tightened down and sealed so that no foreign substances will get in between the time it has been reclaimed and used again.

The army in general are going to reclaim every gallon of oil they use. They are approaching it as they should with a great deal of care so that these mistakes I mentioned will not be made. They are putting these reclaiming machines in at central points where they have a large amount of oil for reclaiming, for example, at Camp Borden, at Camp Debart and Sussex, et cetera.

There will be some places where a comparatively small amount of oil is used, and the cost of shipping that oil to a central point where a reclaiming machine would be located would be more, including the handling, than would be justified in reclaiming the oil. In other words, the volume used is not sufficient.

If you take a thousand gallons of oil which you pour into an engine, by use you lose approximately fifty per cent. That is by evaporation in the engine from fumes exhausting out of the engine. Then if you take the remaining fifty per cent that is left, of 500 gallons, and you run it through the reclaiming machine you will then at the end of the reclaiming have eighty per cent of the total 500 gallons left, or 400 gallons. And if you take the price at 60 cents a gallon as the figure for that oil, you will save \$240. So there is a possible saving, less handling charges, less labour and less in some cases shipping from A to B, which may be 100 miles, as well as the cost of handling at the other end, the cost of operating the machine, including the electricity, the depreciation on the machine, the filter pads that are used in connection with the machine, and then the rehandling of the oil again, which would amount to approximately \$50 on the reclaimed 400 gallons of oil. So on each 1,000 gallons of oil there is a possible saving of about \$200.

Q. Has your branch considered the possibility of the army using the excess waste oils of the Air Force?—A. Yes, we have. Here is another thing to show you how difficult it is. In my own company we have 120 motor coaches, and we have 20 of these motor coaches where we have to change the oil every

800 miles or 1,000 miles. The construction of those engines is such that they develop a high amount of acidity while in other coaches we have we can go 3,000 or 4,000 miles and not do any damage at all.

I know nothing about the Air Force at all. I do not know whether they are going to turn over oil to us or whether they are going to reclaim it, but if they do turn oil over to us we can reclaim that oil and use it in our D.N.D. vehicles. I think we could use every bit of it. There comes in again the technical side of it.

(At this point evidence was given in camera.)

Q. Is that a refining operation?—A. Refining is an entirely different proposition.

By Mr. Gladstone:

Q. Filtering?—A. No, filtering is only doing one of the four things essential to reclaiming oil. Filtering is removing foreign substances. If you filter you still have left loose ends, acidity and water. It does not come into the picture at all. In refining it is a very large plant and an expensive plant. It more or less breaks the oil down, and in some way removes these elements, but it is a big capacity machine that costs a substantial sum of money. And with the comparatively small amount of oil used at many different places it does not, as far as our studies have gone so far, indicate that that is a desirable thing to do.

By Mr. Picard:

Q. Is the reclaiming of oil in general practice with large business firms that have large fleets of vehicles?—A. Yes. In industry, if you have a concentration of vehicles at one place, it is practical. As an example, with a large company that had vehicles spread all over Canada it would not be practical.

Q. Transportation would be too costly?—A. That is right. But if you have, let us say, 100 vehicles concentrated in one garage where they are running their garage, it is a practical thing to do. It has to be watched so carefully. The slightest mistake in one day could do more damage than the saving would amount to in ten years.

Q. You would figure that 100 vehicles would be the minimum that you would need to warrant such a plant being in operation?—A. No, it depends entirely on the amount of oil consumed.

Q. I mean 100 would be a fair average of cars, if they are used?—A. Let me put it to you this way.

By the Chairman:

Q. You mean 100 automobiles; you mean, of course, tanks?—A. With 100 vehicles it would probably be a practical thing to do, subject to these vehicles travelling a sufficient amount of mileage. You have to have enough saving to set up a proper depreciation and justify your capital investment and write that capital investment off in a reasonably short time. In commercial practice you should be able to write it off in five years.

By Mr. Picard:

Q. For war purposes what would be the time figured for the amortization of the capital?—A. Well, I do not know. We are putting in a comparatively small number of machines and running to absolute capacity. Then we are moving oil into these machines up to the efficiency point, and we can do it because we can run our machines steadily day and night, and the cost is unimportant. Our machines cost \$1,400.

By the Chairman:

Q. That is the reclaiming machine?—A. The reclaiming machine. I do not know whether this information should go in the newspapers—

Mr. PICARD: I think this should be in camera.

The WITNESS: The minute you deal with numbers of gallons, if you asked me the total number of gallons used by the army in a year, anybody could calculate with a high degree of accuracy the extent of the training activities of the army in a year.

Mr. HARRIS: It should not go on the record at all.

The WITNESS: I am very hesitant to mention specific figures, but I can deal with one machine and then if there is not on the record the total number of machines we have there is no way for anybody knowing what the total extent of the training activities of the army are.

(At this point evidence was given in camera.)

By the Chairman:

Q. You are a civilian like ourselves and you know the purpose of this committee is to effect economies. Do you feel from your experience that the army and air force are cognizant of the problem and the necessity of properly dealing with the salvage of waste oil?—A. Not only that but I think both the air force and the army—I am a civilian and I have no objectives in this thing at all—I think co-operation between the air force and the army in the working out of this problem is providing the utmost economy and that it is undoubtedly good.

Q. Is there any chance of a like co-operation between the navy and the army?—A. The navy are doing their own reclaiming now, I understand.

By Mr. Hansell:

Q. Might I ask in reference to the vast amount of used oil that there must be, apart from any civilian—you take a city or a small town where agriculturalists and industrialists are using oil; would the witness care to give us anything from his experience in regard to the possibility of reclaiming that oil?—A. We can do it. I would not touch it with a ten-foot pole and I will tell you why. You get gums in certain oils. You don't know what you are getting. We would not know what we had. We might put some of that oil into a vehicle and it would start getting gummy, or it would heat, and we would ruin a dozen vehicles in a month.

Q. Even after it has been reclaimed?—A. Yes, because we do not know what the base is. The base of the oil from Pennsylvania is quite different from the base of the oils from Texas, and we would be buying a pig in a poke. We would not know what we were getting. In other words the gum would start plugging up some of these small pipes and would finally clog them. I could answer that for you in this way: in a large civil operation I have reclaimed my own oil for twenty years, and under no circumstances would I think of buying oil outside for two or three cents a gallon and reclaiming it for my own use. It would be too dangerous.

Q. What is done with that kind of oil?—A. It is my understanding that it is strained or filtered and used in oil burners.

By the Chairman:

Q. Mr. Farwell, would you agree that so far as the waste oil in Air is concerned if the Army and Navy took care of it and used it to re-claim and

to make the greatest possible use they could of it; would you agree that that would be a very reasonable and economic solution of that problem?—A. It goes a little further than that, Mr. Chairman, it is my understanding that it is all settled and agreed upon in principle between the air force and the army, that they will turn over to us all the oil that they do not use—that they cannot use again—and when we get it from them we know what we are getting, we are not getting it from some service station. We know the specifications. We know it will not develop gum and clog our oil lines. We take that oil and take it to our re-claiming machines and re-use it to the extent that they give us oil. If they gave us enough we would never buy another gallon of oil in Canada, but they cannot give us that much. They are giving us all they can. However, I hesitate really to talk about the air force because, again, that is their business, it has nothing to do with us; but I assume that an airplane engine is very much lighter than what we use. The engines I was speaking to you about are entirely different from theirs and we have to treat them entirely differently; and their engines develop terrific speeds, and one result of that is that it is impossible for them to use their oil over again. From the standpoint of the government there is not one dollar wasted because if we take their old oil and use it again it doesn't make any particular difference whether we use it or they use it, the economy is there. And I will say this to you that we have actually taken already barrel after barrel of oil from the air force and we have re-claimed it and we have used it.

Q. It is quite practicable?—A. Practicable, and agreed to in principle.

Q. Take a case in point where the cost of transportation becomes a factor affecting economy, is it always practicable to ship it to a point where you can re-claim it? I take it from what you say that the wisest thing would be to re-claim all you could.—A. That amount would be pretty small in number of gallons and the result would be that the dollar value of re-claiming would hardly justify considering it until you have enough on hand.

Q. But you agree that it would be wise if possible to find a local market for the smaller quantities that would otherwise be wasted?—A. Of course.

Mr. PICARD: There is just one point that I wanted to make quite sure about and that is that this evidence on oil re-claiming be kept entirely confidential and that it be treated as such by the press, that it is not for public use. Are we agreed on that point?

Mr. HARRIS: I think the idea is very sound, that no used oil should be used by the air force at all; and following along the same line of thought I do not think we as a committee should leave the impression that we would urge the army to use second-hand oil alone. They should even explore the possibility of turning that low grade, second-hand oil, back into commercial channels for civilians. I would not like to see a high-powered tank going into action with any chance being taken at all on the grade of oil being used in the cylinders; and I hope they do not close the door to the idea of disposing of their second-hand oil to civilian channels rather than taking a chance on spoiling or ruining the engines which are in such machines as tanks and other military equipment. I think as a matter of national economy that it would be false economy to take any chances whatever in trying to re-claim everything we have and the army using it over and over again and probably damaging very costly instruments of war. I hope they will give some thought to the idea that when the oil gets to be very very low in grade that they put it out of army service and let us civilians take a chance of ruining our own cars at our own expense rather than ruining an army machine at the government's expense.

By the Chairman:

Q. I take it that provided you are sure of the source and purity of the oil that after re-claiming it is really in a better condition than it was before, that re-claiming takes out a certain amount of sludge?—A. It eliminates sludge and loose ends. Where we have a confined area, let us take Petawawa or Borden or Debert, we can take and re-claim that oil and use it over and over again. That is a perfectly practical thing to do. However, if we start to ship it from let us say a point 75 or a 100 miles away there are 100 different things that can happen to the oil from the original point from which it starts on its way until it reaches us. That danger is so great that it hardly justifies the economy which may be possible. Then, there is the cost of handling and the transportation which beyond a certain point would no longer be economical.

Q. I take it that you are giving special consideration to this matter?—A. It is being worked out in the Quartermaster General's branch where a very scientific study is being made.

By Mr. Hansell:

Q. I suppose your work does not involve the conservation of gasoline?—A. We are extremely careful in the adjustment of our motors and our carburettors and that sort of thing to provide the greatest possible economy. We have been having tachometers that very accurately record the miles per hour and the engine's revolution and that sort of thing used where really a speedometer is not accurate enough, and we are continually tuning up our motors in our work shops to be sure that they are as efficient as they can be made with the resultant longest possible miles per gallon.

Q. You apparently have considerable experience along this line in your civilian work. Every once in a while somebody pops up with an idea for a new carburettor or a new invention of some type by the use of which we are going to be able to run our cars on no gas at all. Whether there is anything in those rumours or not I do not know, but there is the general impression among people that there may be some invention bought up by the oil companies. Have you any conviction on that?—A. Well, may I answer that off the record?

The CHAIRMAN: Yes.

(Statement proceeds off the record)

Mr. HARRIS: I have just one observation to make which is rather critical, but I shall do it as kindly as I can. I hope that this witness will get away from this attitude of saying, as this witness said a moment ago when we asked him about the Air Force, that he knows nothing. Mr. Chairman, he should know something. The money is coming out of the same pocket. They are paid for all these things. I hope they don't each get up in their own corner. I think they ought to get down off their high horse, as it were, and sit in together; otherwise, something will have to be done. That is one of our duties, I think, to try to get them together; and I urge this witness, and the one who has just left the room—the first one we had to-day—not to take that attitude. He was an army witness, and the other chap was too. They know nothing. Of course they know something. Let us sit in together. Let our committee urge them to sit in together in the matter of national economy.

Mr. Sissons: I do not think that is quite fair to the witness, Mr. Chairman.

The WITNESS: May I reply to that, Mr. Chairman?

Mr. HARRIS: I wrote that down immediately it was said: "Air force, I know nothing."

The WITNESS: I was speaking about the effect of the condition that used oil might have on aeroplane engines. I think that the report will indicate

that I said I knew nothing about aircraft engines. I did not intend to say that I knew nothing about the air force. I said that I knew nothing about aircraft engines.

Mr. HARRIS: I am sorry.

Mr. PICARD: In order to go into the air force and inquire about it, the witness would have to be given authority because at the moment he is connected especially with the ordnance of the army.

The CHAIRMAN: Just off the record.

—Discussion followed, not reported.

—On resuming:

The CHAIRMAN: Are there any further questions?

By Mr. Hansell:

Q. Going back to what the witness said a few moments ago in reference to the base of oil, would we have to conclude from that that the army must buy all their oil from one particular source?—A. I can answer the question. I know all about it, but it is in another department. All the orders are bought under competitive bids, so far as I know, through munitions and supply.

Q. Why are there different kinds of oil?—A. We buy on specification and those specifications are about that long. We have something like 25 separate specifications for lubricating oils for engines alone, and every one of those oils is bought by tender through munitions and supply and by specification, and a sample of the oil is sent to National Research to be sure it is up to specification.

Q. Whichever company supplies the oil, it would be the same kind of oil?—A. Yes.

The CHAIRMAN: If that is all, I will thank Mr. Farwell and the accompanying officer. Thank you very much, gentlemen. You explained to the reporter, Mr. Picard, what we decided.

Mr. PICARD: He says it is not an order from the committee.

The CHAIRMAN: I think the committee is agreed that the evidence on the matter of reclamation be just kept out.

Mr. HARRIS: I did not hear you.

The CHAIRMAN: That the evidence given by Mr. Farwell on the details of reclamation be kept out. Is that not your idea?

Mr. PICARD: Yes, that the reclamation of oil might be better left out of the press, if it is the opinion of the witness that it should.

The WITNESS: If you gentlemen are in agreement, the basis of what I said might be covered by some sort of general statement to the effect that the matter was gone into exhaustively and it was explained that while the committee were of the opinion—I am not attempting to tell you what to say—

The CHAIRMAN: No. We have not reached that stage yet.

The WITNESS: Or if you could say that the army were reclaiming their oil, something of that sort.

The CHAIRMAN: Oh, yes, a general statement.

The WITNESS: The only thing I am afraid of is figures.

Mr. PICARD: Keep all details of the evidence out.

Mr. HARRIS: I think that is sound.

The WITNESS: The only thing I am afraid of is the exact figures. We are cautioned continually to be so careful of what we say.

The CHAIRMAN: Yes. The general statement will be all right. Thank you, Mr. Farwell. We will adjourn now until 3 o'clock to-morrow afternoon when Dr. Stevens of Montreal will appear before the committee.

The committee adjourned at 4.40 p.m. to meet again on Friday, August 8, at 3 p.m.

August 8, 1941,

Subcommittee No. 2 met at 3 o'clock p.m. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: Gentlemen, we will come to order. Before we ask Dr. Stephens to speak to us, Mr. Harris was discussing a point with me, and I shall be glad if he will put the position he mentioned to me on the record.

Mr. HARRIS: Mr. Chairman, I will deal as briefly as I possibly can with this matter. It is a rather important and rather urgent one; otherwise I would not interrupt your routine. When we were at Lansdowne Park the committee will remember that we saw samples of soap that were being made in the army camps across Canada, a very good product as far as soap is concerned; but I want to explain to the committee that in the manufacture of soap the by-product is glycerin. Every 100 pounds of fat that is used in the manufacture of soap will produce at least 10 pounds of glycerin. Now, a glycerin recovery plant is a very expensive piece of machinery; an economic unit could not be put in any plant for less than about \$50,000—mark you, I say an economic unit. That is the modern practice. Now, we have glycerin plants all across Canada at the present time in the hands mostly of refiners and soap makers. Therefore, on every 100,000 pounds of fat which the army would use in the manufacture of soap as a matter of economy in the army plant you have a loss of 10,000 pounds of glycerin. As a matter of national economy at the present time it is urgent that all glycerin be saved. National economy comes from two points of view; first, you are buying glycerin in South America and you are buying it in the United States. We are using American exchange in the purchases; secondly, we must keep large stocks of glycerin during the present time; that is common sense. There is a third point and that is that it is not sound business to make soap and let 10 per cent of the fat—fatty acid, 90 pounds and 10 per cent of glycerin making a fatty glyceride which constitutes fat—when you break that down the alcohol fastens itself to the fatty acid and that constitutes soap and the glycerin flows to the bottom and is run off down the drain; but if it is run off in a glycerin recovery plant it is different. The reason for the urgency is that innocent army personnel in trying to conserve fat and trying to supply their own soap are getting themselves into a position of false economy because we are losing the glycerin. I am satisfied in my own mind that those in control of glycerin plants across Canada would return to the plant a bar of soap for every pound of fat they receive without any cost to the camp at all. They would give back a bar of government specified soap for a pound of fat from the kitchen and the interests of national economy would save every pound of glycerin. The average price of glycerin to-day varies from 10 cents to 15 cents a pound. With the demands that Britain is making on Canada and the United States for glycerin my opinion is that the price would increase considerably. I am not anxious in any way to interfere with the internal economy of the army operations, but inasmuch as they are expanding that activity and buying more equipment to make more soap I make this observation: it is not in the interest of national economy to lose the resultant by-product, namely glycerin. Another way of saying it is this: glycerin is now the product and soap is the by-product. One suggestion has been made that we put in the attic two or three years' soap

supply in order that we get the glycerin product. Now, it is not national economy when the glycerin innocently is going down the sewer. One more sentence before I finish, and the reason I want to put this on the record is this: it is our responsibility in this committee. I would like to see glycerin recoveries permeate the whole civilian structure as well. There are scores of hospitals, there are scores of woollen mills, scouring mills and other institutions across Canada—

The CHAIRMAN: Restaurants, for instance?

Mr. HARRIS: Restaurants. And other institutions who think they are economical by just letting the sludge go down the sewer and with the sludge goes the glycerin. I think this committee could do a real national service in bringing that to the attention of the authorities as kindly as we can. I am really sorry that we have to interfere; but inasmuch as they showed us their soap at Lansdowne Park and some of the members of the committee nodded approval without saying yea or nay it might be taken that we approve of that. This is a serious matter and I think if they would take my remarks and give them some consideration they might serve a purpose.

The CHAIRMAN: This is a constructive suggestion and I will see that it is drawn to the attention of the proper authorities. It is a good point.

Now, the witness to-day is Dr. George Stephens, Superintendent of the Royal Victoria Hospital in Montreal, and in addition he is president of the Canadian Hospital Council. He has been invited here, as you know, to give us the benefit of his consideration of the matter of hospitalization during war time. You will recall that his name was mentioned in the evidence submitted with regard to the interdepartmental committee of medical services in which he sat in and conferred with the existing heads of those organizations. I will now call Dr. Stephens.

Dr. G. F. STEPHENS, called.

By the Chairman:

Q. Dr. Stephens, do you feel free to express your opinion in an open session or would you prefer that the committee sit in camera?—A. I would rather that the committee sit in camera. I imagine there will be certain personal things that will come out.

The CHAIRMAN: Is it the idea of the committee that we sit in camera?

Mr. HARRIS: Mr. Chairman, might I ask this question: would it be possible for Dr. Stephens to give that portion which he is quite content to give not in camera? I will explain for the benefit of Dr. Stephens the position that one member of this committee finds himself in. I had the pleasure of building a \$600,000 hospital for the citizens of Toronto, raising the money to build the hospital and organizing it, and I have been president and chairman of the board, and it is not proper form for me to sit in and listen to something which is in camera with regard to the conduct of hospitals, and I shall have to retire. I ask you, Mr. Chairman, whether there is anything you can say to the committee which would allow me the privilege of sitting in and listening for a few moments?

The WITNESS: Well, it depends on what you ask.

Mr. GLADSTONE: Could we try to direct the progress of the witness' testimony so that, perhaps, we may reserve things that we think would be necessarily of a private character until later?

The CHAIRMAN: I discussed the whole problem with Dr. Stephens half an hour before meeting. The difficulty is, of course, that he is giving us the benefit of his opinion which may or may not conflict with the heads of departments. He

is the superintendent of the Royal Victoria Hospital of Montreal and I can see that there is very little that he proposes to give except that. Is that not true, Dr. Stephens?

The WITNESS: Mr. Chairman, frankly what I am afraid of—I have had no trouble with the press as far as their reporting is concerned, but I have been crucified by the people writing the headlines. I cannot be placed in the position of having it said that Stephens advocates this or Stephens says that, because I probably do not say it at all if people would read the text. I am only giving an alternative opinion, and there is no uniformity of opinion across Canada on some of these questions. Some things I say will be my own opinion and some will be what has been referred to me and some will be, perhaps, official action on the part of component organizations.

The CHAIRMAN: Personally, I am of the opinion that under the circumstances we should sit in camera.

Mr. HARRIS: It is entirely your responsibility, Mr. Chairman. You see, Mr. Chairman, I do not want to get into a controversy about this, but you take it on yourself, I do not think with the unanimous consent of the committee and certainly not with my consent, to interview these witnesses before they are brought here. I asked you, you will recall, that if there was going to be any previous interview with the witnesses, that if the witnesses are going to be coached before they are brought into the committee—

The CHAIRMAN: They are not coached.

Mr. HARRIS: Well, if they are going to be interviewed before they are brought in to the committee, why not let all of us sit in and listen to the conversation you have with the witnesses so we will be on a parity with the chair. I do not say it is unfair, but let us be sensible and practical about it and let us be on a parity with the chair. We do not know what conversation you had with the witness. We do not know what questions you asked him. You see you are getting your committee into a one-man job whereas you should be more or less the messenger boy of the committee and let the committee do the work. That is the position you are getting yourself into.

The CHAIRMAN: I consider, Mr. Harris, it would be quite impossible for the chairman to discharge his task and do as you suggest.

Mr. HARRIS: You are doing it all.

The CHAIRMAN: No, I do not think so.

Mr. HARRIS: Take my position. I have to sit outside the door and cool my heels—

The CHAIRMAN: It is not very pleasant for me to be arguing with you in the same Committee of which I am the Chairman, Mr. Harris.

Mr. HARRIS: If that is your view on it, I am absolutely opposed to it. I expected that to-day we would be sitting under the Hansell motion of yesterday. You did not advise me anything to the contrary. Surely you made up your mind sufficiently early or before this moment as to what the procedure would be.

The CHAIRMAN: Mr. Harris, I did not have an opportunity of meeting Doctor Stephens until half an hour ago. Is that not so, Doctor Stephens?

The WITNESS: Yes.

The CHAIRMAN: I cannot tell until I meet the witnesses.

Mr. HARRIS: Understand me, I am going to serve Canada throughout this war, disregarding my family interests, disregarding by business interests, but please let me do some work; do not have me sitting in my office doing nothing. I am not built that way; I must be active and doing something, and I do not think it has always been as fair in that respect as I would like to see it.

Mr. GLADSTONE: I would say, Mr. Chairman, that while I supported Mr. Harris' viewpoint yesterday in connection with the situation which we had before us, and that quite generally I am in accord with some of the views taken by Mr. Harris, still my position will always be that on the specific request of a witness that what he has to say can better be said without the press being present, then I shall support that attitude.

The CHAIRMAN: Mr. Sissons?

Mr. SISSONS: Mr. Chairman, I do not think there is anything to be said on this matter at all. I certainly feel that the course you have taken in interviewing the witnesses prior to their appearing before the Committee is the only course that could be taken and the only manner by which this committee could function efficiently. If Mr. Harris feels he cannot stay under those circumstances, it is entirely his own affair and his responsibility. We lose by his absence and he loses himself.

Mr. HARRIS: He loses a day of his time.

Mr. SISSONS: It is lost of your volition, not of the volition of the Chairman.

The CHAIRMAN: Mr. Hansell?

Mr. HANSELL: Mr. Chairman, I think there is this difference between yesterday and to-day, and I think it is a difference that should be noticed, and that is that yesterday those who were to appear before us were part and parcel of the whole country's war economy, that is, they were, after all, servants of the government. We know many of them were officials of the army, and I think we had a perfect right to extract from them any information we wanted, whether in camera or not. To-day the position is slightly different in so far that we have a witness who comes from civil life, is not necessarily responsible to the government, and could, if he wished, simply say, "Well, gentlemen, I am sorry, but I cannot stay here while this is in camera; it means too much to me," and we could not do very much about it.

I appreciate Mr. Harris' position as being chairman of the Board of an hospital, but I think I appreciate the position of the witness as being also in a responsible position in civilian life.

With reference to the publicity that one might get from the press, I think so far the press have been very fair with us. There has always been to my mind a rather unfortunate situation which exists in journalism, as I understand it. The reporter writes the sitting or he gives his report, he writes it out, but I understand that the reporter does not write the headlines; that he passes it over to his editor and somebody else puts the headlines on it. That to my mind has always been an unfortunate part of journalism, because there are many people who will read the headlines and will not read the text of the report. I think it would be a much better feature if the reporter himself, particularly if his name is on the article, could put the headlines on his own article and be trained to do so in the proper fashion, and to save type and space, and so forth. In fact, it could very well be done and the headlines would coincide, or should if he is just and fair, with that which is in the article.

Mr. HARRIS: On that one point, we cannot help what the press does. When the *Montreal Gazette* says, "Harris deserts War Committee," Harris has to take the rap, that is all. I am not a deserter, never was a deserter of any cause, but we cannot help that. Before you give your ruling, Mr. Chairman, would you be good enough at my expense to wire me and I will fly down to meet you when you have an open session?

The CHAIRMAN: Yes, I will.

Mr. HANSELL: I was making that reference because the witness himself referred to it, that is all.

I have noticed another matter which is closely allied with what we have been talking about. I have noticed on the part of some witnesses a bit of arrogance toward this committee. Whether the rest of you have or not, I do not know. I could not help noticing that in a reference that was made—

The CHAIRMAN: Mr. Hansell, I dislike interrupting you but do you not feel that that is a little aside from the question under discussion? We have a witness here.

Mr. HANSELL: All right, I will leave this until later.

The CHAIRMAN: Mr. O'Neill?

Mr. O'NEILL: Mr. Chairman, I do not think there is very much to be said about this matter. I believe that we are very much indebted to Doctor Stephens to have him come here and give us the benefit of his advice and his experience. If it is the wish of Doctor Stephens that the meeting should be held in camera, then I do not think there is anything to argue or anything to talk about. I think we should abide by his wishes. If he says it is in camera, then it is in camera.

Mr. GLADSTONE: I should like, Mr. Chairman, to say to Mr. Harris that at times I do not think there will be any inconsistency on his part in taking part in portions of our sessions.

Mr. HARRIS: Quite.

Mr. GLADSTONE: Where of necessity the Press has to be excluded. It is our desire to give to the press any opportunity that does not handicap or limit our opportunity of securing information, and I hope Mr. Harris will just come toward us a little.

Mr. HARRIS: Surely I will. I have done and purpose continuing to do so, but I am very anxious that Doctor Stephens be not embarrassed.

The CHAIRMAN: I will let you know, because I cannot tell you now.

Mr. HARRIS: There is no hurry; just wire me.

The CHAIRMAN: I want you here particularly on that beef matter.

Before you leave, Mr. Harris, I might point out that from to-day on we should each tackle the task of re-reading the evidence in order to collect our thoughts as to possible recommendations.

Mr. HARRIS: You mean in the afternoons?

The CHAIRMAN: I meant individually, and then we will get together as a whole. Individually I think we should each tackle the job of re-reading the evidence.

Mr. HARRIS: Quite. I am not quitting, and, in that regard, I want you to do something else for me. I want a card or some sort of entree so that I can get past the man with the gun at these military institutions, and I want that right away. I am going on to work. I am through business until this war is over. Even though I may not be here, I will be working. I would like you to have Mr. Ralston dispatch that authority to me at once so that I can go here and there when I feel so disposed, and I will guarantee that I will not embarrass the government in any way. This is not political, it is purely a service to Canada.

(The Committee concluded its sitting in camera and adjourned until Tuesday, August 12, at 3 o'clock p.m.)

The subcommittee met at 3 o'clock. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: Gentlemen, we shall call the meeting to order. First of all, at noon to-day I received the submissions from the Canada Packers, Limited.

In addition I received a report by Mr. Bedard, which I was glad to get. He is the officer of the Canada Packers, Limited who acted as Quartermaster Sergeant at Barriefield camp. We now have also a copy of a submission which contains the material we wanted. This was sent yesterday to Lieutenant-Colonel H. DesRosiers, Acting Deputy Minister of National Defence, and has now reached the hands of the supply officer in the Quartermaster General's department.

We shall put in as Exhibit No. 34 the letter and the accompanying memorandum sent by Mr. McLean, the President of Canada Packers, Limited, to the Acting Deputy Minister of National Defence (Army) under date of August 9, 1941, and, in addition, the memorandum submitted by J. H. Bedard to the aforesaid Mr. J. S. McLean. It might be well for you to read that over now.

EXHIBIT No. 34:—Letter and accompanying memorandum sent by Mr. McLean, President of Canada Packers, Limited, to the Acting Deputy Minister of National Defence, under date of August 9, 1941, with memorandum attached by Mr. J. H. Bedard.

Informal discussion followed, not reported.

August 13, 1941.

The Subcommittee met at 3 p.m. The Chairman, Mr. R. T. Graham, presided.

The CHAIRMAN: Gentlemen, we have a quorum. We have with us to-day Colonel Lawson, Director of Supplies and Transport in the Q.M.G. branch, and Mr. Pearsall of the Department of Agriculture, who acts in an advisory capacity on occasion to the Department of National Defence.

You will all have received memoranda furnished by Canada Packers Limited with regard to suggested economies in the matter of beef and pork furnished the army. Colonel Lawson and Mr. Pearsall have had like submissions before them for a couple of days, and we have invited them here to-day to give us the benefit of their views with regard to the suggested economies and to discuss with us the merit of the suggestions made.

Col. H. O. LAWSON, Director of Supplies and Transport, called:

By the Chairman:

Q. You have, Colonel Lawson, as I say, these letters and figures submitted by Canada Packers in regard to this matter?—A. Yes.

Q. Will you kindly give to the committee your opinion of the merit of the proposals?—A. Well, in connection with these it was suggested by Canada Packers that in each 500-lb. carcass there would be about 20 lbs. which was waste. In discussing this with Mr. Pearsall he is not quite sure nor am I as to how this amount is arrived at. We think it is somewhat less than that, and on previous discussions regarding the specifications of beef it was suggested that we take out the kidney fat and that was all. One of our objections to removing the kidney fat was that we could use to advantage the kidneys in our various kitchens. I may say on behalf of the quartermaster general that we definitely want to do the most good for the common weal, and if there could be some way by which in the case of beef we could obtain the kidneys and be assured that such kidneys are of proper grade and so on and not too expensive, that part of the proposition would suit us quite all right. I should have said I think that there are two really important factors in connection with this whole scheme submitted by Canada Packers, looking at it strictly from the army point of view. One of these factors is that we must be able to feed the troops in the way that our dietitians, advisers and ourselves think they should be fed. That is the first factor. The second factor is that we do not want to raise by the

smallest fraction of a cent the cost of our daily ration because it must be realized that we are feeding now, including the air force and the army, somewhere in the neighbourhood of 200,000 rations a day, and when you add a fraction of a cent to that ration the expenditure throughout the year is simply terrific. I think that is our feeling in so far as the beef situation is concerned.

To go into the question of the pork situation we have as you all perhaps know been purchasing whole hogs less heads and feet, and it has been represented to us by Canada Packers that from 100 lbs. of hog 42 lbs. is not economically used by ourselves. It has been further represented by Mr. Pearsall that the breakfast bacon part of the animal is not being used to the best advantage and we see that entirely. We appreciate that now and as far as the quartermaster general is concerned we are perfectly willing, ready and eager to do what will be the best in that connection; but again the two principles must be maintained, i.e., adequate feeding of the troops and the keeping down of the cost of their rations. You can appreciate that accepting in principle the suggestion put forth by Canada Packers, that is to say, our getting only certain cuts of the hogs, in order to compete with the higher cost of those cuts we would have to definitely reduce our rations and that is a thing that cannot be done in a moment. We would have to go into the thing very thoroughly with our advisers on dietetics and so on. I think that I have covered the two points.

Mr. R. W. PEARSALL, Chief of Live Stock and Live Stock Grading Services, called:

By the Chairman:

Q. Have you considered these two documents?—A. I have seen them, Mr. Chairman. I do not happen to have copies of them, but am reasonably familiar with the recommendations contained in them.

Q. Would you like to have these?—A. I can develop the suggestion made by Colonel Jones if that is the wish of the committee.

Q. Speak a little louder, please. First of all it would be interesting to the committee to know what degree of co-operation there is between your Department of Agriculture and the Department of National Defence in such matters as these. Where do you come into that picture?—A. Purely in an advisory capacity. Some time after the war broke out we were frequently requested by the Department of National Defence for advice with respect to specifications and also for co-operation in the inspection of various agricultural commodities. As far as my particular branch is concerned it has to do with meats only. There has, however, been complete co-operation with respect to specifications and inspection of foods such as vegetables, canned goods and so forth, coming within the purview of the inspection service of the Department of Agriculture.

Q. What is your official title in the Department of Agriculture?—A. Chief of the Live Stock and Live Stock Grading Services.

Q. I think that you have some connection with the bacon board as well?—

A. Yes, I am associated with the bacon board.

Q. On the bacon board?—A. As manager.

Q. All right.—A. With respect to beef, the department were consulted with regard to the specifications used by the army with respect to the standard weight and general quality that should be provided for military services, and also as to specifications for butchering. Until about two or three months ago and more recently in the last six weeks when a shortage of vegetable and animal fats began to assume a serious aspect, I doubt if there was very much criticism that could be raised with regard to the specifications on beef. In view, however, of approaching shortage of animal fat and vegetable oil it now

becomes essential to conserve in so far as possible all the sources of animal and vegetable fats in Canada and for that reason I feel there is justification for the contention—as a matter of fact, we had already suggested to the Department of National Defence—that packers who process the beef and supply it to the army could utilize to better advantage and get more value out of, the fat in the beef carcasses if they remove it, rather than supply it on the carcass. In the submission made by Canada Packers, as Col. Jones has said, they must have estimated an average of 20 pounds of fats to a carcass; it is not, however, indicated in their submission how they arrive at that figure. The kidney and kidney fat alone will average from 6 to 14 pounds, depending upon the weight and the degree of finish in the average carcass. I assume that they contemplated the removal of certain other exterior fats, which have not been specified.

Mr. HARRIS: I think 20 pounds would be closer. I would like to ask a question, Mr. Chairman.

By Mr. Harris:

Q. Do you not think your figures are low there? You said 6 pounds to what?—A. 6 to 14 pounds.

Q. On the class of beef as presently specified it would be much more than that.—A. Well, that is my estimate of it, sir.

By Mr. Hansell:

Q. On that point, does the Department of National Defence specify the particular weight of the carcass?—A. Yes.

Q. Would it be about 500 pounds?—A. They are specified by quarters—125 pounds per quarter up to 185 pounds, I believe.

Q. Because you will recall, Mr. Chairman, we saw in the Canadian Packers the kidneys and fats taken from the carcass in a series of baskets right underneath the carcass, and according to my recollection they figured it to be approximately 20 pounds.—A. That included only the kidney.

The CHAIRMAN: Of course, he is just dealing with the kidney and the fats around the kidney.

By the Chairman:

Q. There are other fats?—A. Yes. I am not questioning that they can remove more than 6 to 14 pounds. The point I am developing is that they must have contemplated the removal of other kidney and kidney fats.

Mr. HARRIS: Mr. Chairman some months ago you will recall that we went into this matter in an inspection at Lansdowne Park. From one of the carcasses the kidney was taken out and weighed in front of the members of the committee. It weighed 17 pounds. It was not well taken out. In other words, had it been well taken out, it would have weighed over 20 pounds. The weight was less because of the cold state of the beef taken out of the chill-room. You recall that.

The CHAIRMAN: I know you are right. I do not happen to recall the weight, but I recall that we did that.

The WITNESS: Those facts can be ascertained, just what the average actual weight of the kidney fat is.

By Mr. Harris:

Q. We have a statement from Canada Packers that it would average over 20 pounds.—A. Is that clear that that only includes kidney fat? My understanding was that they made other removals, but I am not clear on that.

By the Chairman:

Q. By the way, what is the average weight of a kidney?—A. About one pound and three quarters to two pounds.

Q. About one pound and three quarters to two pounds?—A. Yes.

By Mr. Gladstone:

Q. The weight is more in the winter, we were told.—A. The fat content weight?

Q. Yes.—A. Yes, that would be true, because with winter-fed cattle there is a greater fat content.

Q. They gave us at Canada Packers 20 to 25 pounds in summer and 25 to 30 pounds in winter.—A. I think, under present conditions, that it would be very advisable to remove whatever the weight, whether 16 pounds or 20 pounds and leave it with the processing company who could make, in my opinion, better use of it or utilize it to better advantage. In doing so, of course, the Department of National Defence, so as to not increase their cost, would have to reduce the basis of the ration accordingly, because if you remove whatever it is, 20 pounds or 25 pounds of surplus fat, you are going to increase the unit cost of the balance of the carcass.

By Mr. Hansell:

Q. Before you leave the beef, if you have that brief there or rather Canada Packers' letter to the deputy minister, on Page 2, paragraph 4—and I want you to tell me if my figuring is right or not—it says, "The saving to the government would be the difference between one cent per pound, which they now receive, and four cents per pound, which would be allowed at the plant. In other words three cents per pound on 20 pounds; that is 60 cents per carcass." Then two paragraphs below that again they say, "If the fat (worth four cents per pound) were trimmed at the packing plant before the carcass was shipped, the resulting trimmed carcass would cost the government from one-third to one-half cent per pound more than if the carcass were shipped with the fat as at present." One-half a cent a pound on the remaining 480 pounds is \$2.40. It would cost us \$2.40 more for the carcass, less 60 cents for the salvage which would still remain. \$1.80 we would pay. Is that not right?—A. I will try and answer that question in this way. I do not agree that there would be any saving to the Department of National Defence. It would still, in my opinion, cost them just as much to feed their soldiers whether they bought 480 pounds at 15½ cents or whether they bought 500 pounds at 15 cents. I think that is obvious. I cannot see how the Department of National Defence can save any money.

By Mr. Harris:

Q. You would agree, Mr. Chairman, that there would be a very substantial saving to the national economy of Canada?—A. Right; exactly.

Q. A very substantial saving?—A. I am quite definite on that.

Q. We are charged with the responsibility of devising economies in the national interests and we are using this subject matter as a basis to address ourselves to the main problem.

By Mr. Hansell:

Q. My point, Mr. Chairman, was that with the salvage taken out from the carcass we would pay \$1.80 more.—A. If you paid a full half-cent more, you would.

Q. Yes.—A. If, however, that was in there between one-third and one-half, probably one-third would bring it about even. I have not calculated it.

Q. No, I do not think it would at all. That can be easily figured. I do not think it would. You would have to get your 60 cents back.—A. Say that at

present the Department of National Defence purchased 500 pounds—480 pounds we will say, to use that figure and you remove 20 pounds. 480 is fit for ration or suitable.

Q. And they want to charge more?—A. Then say you buy 500 pounds at a price of 15 cents; you are going to have to buy 480 pounds instead of 500, but you are going to have a slightly higher price. It all depends how much higher that price is. It is going to be somewhat higher. I do not think you could conclude that the Department of National Defence would buy their ration supplies for army in respect to beef any cheaper.

By the Chairman:

Q. You are speaking of beef now?—A. I am speaking of beef now. I agree entirely, however, that from the viewpoint of the whole national economy there is a definite advantage.

By Mr. Harris:

Q. Mr. Chairman, just to help out a little on Mr. Hansell's query, as a matter of figuring this problem out and using Canada Packers letter, may I say this. It is a matter of detail between the Canada Packers Limited or any other packer that is supplying army or supplying the services—it is a matter of detail between them, between the suppliers and the party that is buying the product, and the purchasing division of army, navy or air force. If they are confronted with or facing new specifications, it is their duty to see that they get value from the party who is supplying the goods. The value is there. That is to say, there should be no differential. Mr. Hansell has quite properly pointed out that there is a differential there that you have obtained. Where does it come from? In the first place, I question whether four cents a pound is sufficient allowance for the fat that is permitted to remain in the processing houses and finally finds its way into the edible channel. I think any of the people who are in the edible trade will admit it is worth more than four cents. If those buying the goods are able to drive an equal bargain with those supplying the goods, then the differential will disappear.

The basis for my suggestion that four cents is not enough is, as you will recall, based on this fact; that this product will now go into an edible channel rather than go in as salvage from a camp. What is that edible channel? That edible channel will be a fat used as an edible shortening to replace the present supply of shortenings which are being bought with foreign exchange. Shortenings are selling for 15 cents to 17 cents per pound. Suet yields 75 per cent fat, and if that resultant fat will yield another 75 per cent shortening, then you have $56\frac{1}{2}$ pounds of shortening value worth 15 cents a pound in the culled fat that is taken from that side of the beef. Well, then, $56\frac{1}{2}$ pounds at 15 cents a pound is a good deal more than four cents a pound on the original suet. You follow my reasoning, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. HARRIS: A price around six cents as against 15 cents for shortening would be more nearly in line.

The only reason I load the record with this is to help the transaction, providing they agree on this matter of policy of leaving that product with the processors. I think the suppliers will come to an arrangement. They do not want to make a public statement to-day that suet is worth six cents a pound, because that would upset the whole Canadian trade in every little butcher shop in every little hamlet in Canada. You can understand that. So that these figures that you have before you, I would imagine, are given with some reservation. I would say that the contract, if one is made, for this product, bereft of the unnecessary fat and unnecessary edible produce which can be properly processed in the packing houses—I would say that

that contract and those figures are a matter for private discussion between the buyer and the seller and not a matter for public information. You understand what I mean?

The CHAIRMAN: Yes.

Mr. HARRIS: And I think that Mr. Hansell can be assured that in working out this problem the \$1.60 differential will entirely disappear. I am satisfied in the end that the transaction between the packers on the one hand and the Department of National Defence on the other hand will show a credit balance rather than a debit balance of \$1.60, provided, of course, that our army purchase people are shrewd enough to make sure that they get their last pound of flesh rather than fat. I am satisfied also that if in the end they co-operate one with the other to work out this problem there will be no loss, and, finally, in the national economy, there will be a saving on these 200,000 rations, a very considerable saving amounting to thousands of dollars.

As I said to you before, Mr. Chairman, if we can get a little more modernistic in our way of life in Canada and extend that to the civil population, the saving across Canada will be many thousands of dollars more. I think the witness admits that in the national economy, in the final analysis, on this problem there would be some real benefit.

I say all that with this warning, that you would have to be extremely careful in interfering with rations of our army, our navy and our air force, to make sure that they get everything that is coming to them. Do not allow anything to happen that would leave them short in any way whatsoever. We do not want to pinch any nickels at all in this war effort. That is not the job of our committee, Mr. Chairman. We are not pinching nickels, but we are trying to point out ways of economy, and I am satisfied that we will in the main if something is done.

By the Chairman:

Q. Mr. Pearsall, does the taking of the kidneys and the fat off the carcass present any trouble from the inspection end of it?—A. No. If the Department of National Defence should amend their specifications to provide for removal of the kidney and kidney fat or any other exterior fat it would present no problem in so far as kidney and kidney fat are concerned. We would specify that inspection of the carcass should be made before its removal, because it is much more advantageous to make your inspection of quality prior to the removal of the kidney and kidney fat than it is afterwards, because that is a very definite criterion as to the general fat content and the degree of fatness in the carcass.

Q. During inspection you want that attached?—A. Yes. We would specify that beef destined for delivery to the army must be submitted for inspection prior to removal of any of these kidneys or kidney fat.

The CHAIRMAN: Mr. Harris, I was trying to explain to Mr. Pearsall this morning about the flat part we looked at at the top of the carcass at Landsdowne.

Mr. HARRIS: Yes.

The CHAIRMAN: Frankly, I could not tell him the proper term for that. What was it?

Mr. HARRIS: The witness will know that it is the belly portion which includes the fell. That is used for sausages. As a matter of fact, Mr. Chairman, it has been discovered at the present time that it has a very valuable use. It is now the main constituent of hamburgers, as it is seen in all these hamburger stands across the country, because it is so tough and so stringy

that when they put it through and mincer it still holds together as hamburger. The mincer helps to make it so that you can at least swallow it; you do not have to chew it very much. It consists mostly of protein, and I think it has real good food value. That is a discovery of the last four or five years.

The CHAIRMAN: Colonel Lawson, would you tell us what the army uses that for?

Colonel LAWSON: Just as Mr. Harris says—hamburger.

The CHAIRMAN: The army uses those kidneys?

Colonel LAWSON: Yes.

The CHAIRMAN: For what?

Colonel LAWSON: Beef steak and kidney pie.

The CHAIRMAN: Colonel Lawson, could you give us, please the relative consumption of beef, pork, mutton, and so on?

Mr. HARRIS: Before you leave the matter of kidneys, the kidney comes apart from the suet very readily and it could still be shipped with the carcass.

The CHAIRMAN: That is what I have in mind, because one kidney would not be of much use. Alternatively you would have to have collection in the camp with proper refrigeration of sufficient kidneys to keep all these kidneys at the packing plant.

Mr. HARRIS: They are bought that way now. You can buy one hundred pounds of kidney.

The CHAIRMAN: That is what I mean. Except that I would assume that in the case of kidneys you would like to know that it came from a government inspected carcass.

Mr. HARRIS: It would be.

The CHAIRMAN: There would have to be some way of identifying that.

Mr. HARRIS: It would be.

The CHAIRMAN: I wanted to get that on record to give us an indication of the relative ration importance of these different meats we are speaking about.

Col. LAWSON: The calculation based on figures for the month of May last shows that from coast to coast we took such places as London, Camp Borden, Petawawa, Montreal, Valcartier, Debart, Sussex, Shilo, Nanaimo, Dundurn, and Calgary, and from the weights of various meats issued at those places we calculated that in a year we served beef 256 times, mutton four times, pork 13 times, preserved meats 12 times, fish 50 times—that is 50 days.

By the Chairman (To Col. Lawson):

Q. That gives us the relative ration importance of these foods?—A. Yes.

The CHAIRMAN: Mr. Pearsall, would you continue with regard to pork?

Mr. PICARD: I would like to ask Col. Lawson one question.

By Mr. Picard:

Col. Lawson, did you ever hear any complaint about having too much beef ration? We have passed through two camps where we have seen the boys not complaining about their food in regard to quantity but they said that it is beef and beef and meat loaf and by-products of beef all the time?—A. No.

Q. Probably they would not say it to you, but have you never heard of any idea among the troops that they had too much beef—I mean of different kinds all served in one way or another?—A. To my knowledge there has been no serious complaint on that score.

Q. When we were at a given camp the boys asked us to look at the ration sheet and out of a week there were five days in which they had beef and one day fish and on another day I do not know whether it was pork or mutton.

Mr. GLADSTONE: The desire is for more fresh vegetables.

Mr. PICARD: And they complained about having the same type of meat day after day. Now, we looked up the ration sheet and that was true. The food value is there and they did not complain about the quantity of the food, but being the same kind of food for too many days consecutively. You say that has never reached you?—A. Not in any serious way, no.

Q. And you are of opinion that it is a fair average, it is a fair distribution of rations to have that much beef compared to other things?—A. Yes, I think it is quite a fair division.

Q. You do not think that by getting tired of the same thing would lead to dissatisfaction which could be easily removed if there was more variety?—A. It is difficult to get much variation as far as meats are concerned. Of course, in many camps they use fish more often than once a week.

Q. One other complaint was that there were few vegetables.—A. Yes, we have the staple vegetables. We do not serve such things as lettuce and celery and that sort of thing; we could not compete with that sort of business; but they get cabbage and carrots and parsnips and onions and they get a reasonably good supply of fresh vegetables.

By Mr. Gladstone:

Q. I think the desire, perhaps, was for fresh vegetables uncooked rather than cooked?—A. Yes.

Q. For instance, with regard to cabbage they said sometimes they could have coldslaw rather than boiled cabbage.—A. That is so. We have suggested to them—although it is none of the quartermaster-general's business really—we have suggested to them that they might well spend some of their canteen fund on that; it would not cost very much.

By Mr. Picard:

Q. In this memorandum that is before us—I do not know whether it is public—that memorandum from one officer of Canada Packers to another—it is stated, "From my camp experience and from the knowledge of the quantities drawn from contracts we hold, I would say that rations work out about as follows: Beef 5½ days per week."—A. I do not know that I would suggest you pay too much attention to that statement. This gentleman went to one of those camps as a quartermaster sergeant and he went to a camp which was a reserve unit, and I would think that compared with our active units it was working under, perhaps, primitive conditions.

Q. It confirmed more or less what some of the men in the active unit at Petawawa told us privately when we passed through. We looked at the ration sheet and it was for five days that week.

By Mr. Hansell:

Q. May I ask Col. Lawson if the meals served to officers differ very much from those served to the men?—A. Yes, there is some difference because in an officers' mess they usually charge an officer anywhere from, we will say, 15 cents to 30 cents a day extra messing.

Mr. HARRIS: Forty cents at Camp Borden.

Col. LAWSON: It differs in different messes. With regard to Camp Borden I am not sure how many officers' messes there are there, there must be at least twenty-five or thirty, and each mess is managed on a different scheme. For instance, I know of one mess where they charge their officers \$5 a month, which includes everything—that is table money for linen, paying of their servants the odd honorarium which they give their servants—and as far as extra money is concerned that would probably work out to a matter of 10 cents a day.

The CHAIRMAN: Does that come out of the officers' pay?

Col. LAWSON: It is out of their own personal pocket.

By Mr. Hansell:

Q. They are paying for anything extra?—A. Yes.

Q. What I had in mind was—I agree that you cannot have very much variation when it comes to meat because there is only beef and pork and mutton, unless you go into fowl, chickens and stuffs like that; but I was wondering if the officers had about the same ration?—A. Yes, they do. Taking it day by day they do have. Perhaps they buy fowl with their extra messing money.

By Mr. Picard:

Q. About the beef rations. I was quoting Petawawa, but I am reminded that we heard the same complaint at Manning Pool in Toronto even from the officers, that they had to supplement the beef rations and that they were much too numerous and that they paid out of their own funds.

The CHAIRMAN: Of course, Manning Pool raises the broader question of the different diet required for the air force.

Mr. PICARD: Oh, yes, of course. The same question was raised at Petawawa when we passed through there, and I heard the same remarks from officers who are in training or were in training at Brockville—perfect food, good quantity, but beef all the time. I am bringing that up.

The CHAIRMAN: May I suggest to the committee that Mr. Pearsall has a meeting of the bacon board to-day, and while he is not running away from us I promised that we would let him get away as soon as possible.

By the Chairman (To Mr. Pearsall):

Q. Would you complete your comment on the pork suggestions?—A. All I can do is to supplement what Col. Lawson has already stated. The same principles apply with respect to pork as have been brought up with respect to beef, except for one other important reason. In addition to the increased importance of animal fat and the need for its conservation we also have the need for conservation for a while at any rate of bacon so as to be able to ship extra quantities to the United Kingdom. The army is buying fresh pork carcasses with the head, feet and leaf lard off. In addition they are buying an equivalent weight of breakfast bacon.

By Mr. Picard (To Mr. Pearsall):

Q. Separate from the whole?—A. In other words they will buy 100,000 lbs. of fresh pork in the form of the pork carcass and then approximately another 100,000 lbs. of breakfast bacon as bacon rations. Now, when the butcher receives the hog carcasses he must break it down. Take the two particular cuts, first of all the loin. It is usually cut out with anywhere from an inch and a half to two inches of back fat which must be removed; it cannot be served to the troops in the form in which it is. On that particular point again

I think the same principle applies as in our discussion of beef. The back part could be utilized in the various packing plants to better advantage than could be done probably in the camps. Then, we take the breakfast bacon cut which is the centre of the hog belly. That is processed and cured and put into the bacon market and is one of the high priced cuts from the carcass. It is also the same cut that the army are buying for breakfast bacon. It is not a cut that is adaptable to serving as an ordinary product; it could be rolled and cooked and cooled and then sliced and served in that way, or as it is being utilized by the army now, I believe, by chopping up and putting it into pork sausages and so forth.

Q. They cannot cure it?—A. They cannot cure it. My point is this: they are using a rather valuable and expensive portion of the hog carcass to go into pork sausages and so forth, and that could be utilized to better advantage. If the breakfast bacon in the carcasses that are supplied as fresh pork, were kept in the plant it would supply one-third of the army requirements of breakfast bacon and that is very important when you come down to the question of releasing as much of the product as we can for export to the United Kingdom.

By the Chairman:

Q. Can you tell us if that bacon is the type of bacon that is sent to the Old Land?—A. No. When we speak of bacon in this country we refer specifically to the breakfast cut which constitutes the belly portion. At other times we refer also to back bacon, but generally speaking breakfast bacon is the breakfast cut. When you speak of bacon as applicable to export to the United Kingdom it includes the whole hog, that is, the Wiltshire side is what the Englishman terms as bacon, or virtually what the army is buying now with the heads off, the backbone out, and the feet off. Anything from a ham, or shoulder, etc., might be termed a rasher of bacon in the Old Country. So bacon as far as it is applicable to the Old Country is the whole carcass whereas in Canada we speak more specifically of bacon as a breakfast bacon cut.

Q. But that portion we are discussing is part of the whole carcass that goes overseas?—A. Part of the whole. If you are going to ship a Wiltshire side that is what goes over.

Mr. HARRIS: Call one the export part or the Wiltshire side and call the other bacon, and I think the public will understand.

The CHAIRMAN: I was trying to get Mr. Pearsall to say we are not able by this method to supply the domestic bacon requirements without coming in conflict with the need of hog shipments to the Old Country. That is true, is it not?

Mr. PICARD: We will overcome that if we were to accept the suggestion of the witness of having this part treated in the packing plant.

The CHAIRMAN: And it would meet one-third of the requirements of the army in regard to bacon.

Mr. PICARD: Yes.

The WITNESS: The Department of National Defence and ourselves have discussed the advisability of purchasing pork cuts instead of whole carcasses, the selection based on the purchase of your main cuts, hams and shoulders, which presumably may be the best cuts. The best cut may be the Montreal shoulder, the Boston butts or the New York shoulder. The Montreal shoulder comes nearest to including the whole shoulder with the fat off.

By the Chairman:

Q. As a matter of curiosity, where do these names come from, Boston, New York and Montreal?—A. I do not know; it may be just because that particular

type of processing happened to develop in those areas or they may have been in demand in those areas and derived their names accordingly.

Mr. O'NEILL: The name may have arisen in a somewhat similar manner as that of Boston baked beans.

The WITNESS: Probably the same as the Wiltshire side derived its name. That type of bacon was developed in Wiltshire, England.

By Mr. Harris:

Q. Just on that particular point will the witness develop the matter of economy in having the blade bone and the knuckle bone taken out at the plant?—A. That is the Montreal—

Q. Any packing plant supplying the army.—A. Personally I would prefer to see, if they are going to purchase the shoulder, the blade bone in, in the Montreal. However, if there is any particular reason for removing it it could be removed and the product rolled.

Q. It is removed in the camp before being cooked?—A. That is quite correct.

Q. And the process of removing it in the camps with inexperienced boners gives them a very much haggled ham?—A. You could bring the same thing to its logical conclusion and bone your ham, but you pay more money for it. Every time you have an extra process it costs more money to do it.

Q. Every time it is done by inexperienced men edible products are wasted, but every time it is done in the packing plant the edible products are retained by the processors?—A. I do not know whether the packers can utilize the bones which are removed, such as the shoulder blades, better than the camps do now. That is a point I have no view on, as I do not know.

The CHAIRMAN: What do you think of that, Mr. Harris, could the packers utilize the bones?

Mr. HARRIS: Most decidedly, Mr. Chairman. I do not want to waste your time, but a pork bone will yield 10 per cent of edible fat. Every 100 pounds of pork bone that are taken out in a government-inspected plant will yield 10 pounds of edible fat. That 10 pounds of edible fat will find its way into shortening and is worth 17 cents per pound. If the bones are left in and go to the camps, if the operation of the camp salvage is 100 per cent, that same 10 pounds of fat at the very most is not worth more than about 3 cents at the camp to 4 cents per pound. From the camp it finds its way into inedible channels and from those inedible processes into the soap kettle and from the soap kettle into soap. It is far better, Mr. Chairman, to have this edible material finding its way into shortening and thereby stop the import of this tuff and stop the dissipation of foreign exchange.

The CHAIRMAN: I wanted you gentlemen to hear Mr. Harris on that so you could take it into consideration in determining the final attitude of the department, Colonel Lawson, and your advice, Mr. Pearsall.

Mr. HARRIS: I should like to add one more sentence, Mr. Chairman, and his is one of great importance. I realize the difficulties that are running through the minds of the witnesses now. When you start to pull a ham to pieces it loses its natural carrying possibilities; that is to say that ham in its natural state without the rind off, without the fat off, without the bone taken out, will carry from point to point much better than will a ham that has the bone removed, that has the rind removed, that has the fat removed, and those that apply the product with these other parts removed will have to be extremely careful to see that it is delivered to the camps in real good condition for the reason that the ham has not got that protective skin on it. We now come to pork chops. You will recall, Mr. Chairman, that the slab is taken off the back with a draw-knife, and that slab is perhaps one and a half inches thick and

perhaps 14 or 15 inches long. If that is kept in the processing plant it goes into the edible channel; but the same pork chops delivered to a camp have not got that natural protection over them with the result that a good deal of care has to be given to transportation. That has to be weighed in the balance against the economy that is suggested. But we are living in a modern age and that can be done if the will is there to do it and the saving would be tremendous.

The CHAIRMAN: Mr. Pearsall when discussing this with me this morning mentioned that very point that you are speaking about now. We think of the army as being at Camp Borden, but that is not always the case. The army may be anywhere. There may be small units here and small units there under different conditions, and that must be taken into consideration. They must be in a position to serve all the units. Mr. Harris' point is well taken. That is one of the things that must be considered.

Mr. PICARD: As far as the operation of removing the bone is concerned, we saw it performed at the packing plant and a few hours later we saw it performed in a camp. The difference was quite obvious. At the camp it took a much longer time and a lot of valuable meat was left attached to the bone and it was thrown into the garbage can.

The WITNESS: There are naturally two things that affect my thinking to some degree with regard to this: first, having some responsibility for the inspection of this product. It is much easier to inspect and pass on the suitability of a product in the form of a ham, and secondly I have no observations on this except I naturally assume that bones such as the ham bones and the shoulder blades would find their way in nutrient value to the troops as soup or boiled in some way and their value thus retained.

By Mr. Picard:

Q. Do they use pork bones in soup?—A. There is no reason why they cannot be utilized in that way. Pork bones can be utilized just the same as any others.

Mr. HARRIS: As a matter of actual practice it is not done.

The WITNESS: I cannot make any observation on that.

Mr. O'NEILL: A ham bone if it is cured can be used as soup, but if it is raw it cannot.

By Mr. Gladstone:

Q. The inspection of the government inspectors is made on the whole hog carcass, I believe. I do not know that there is inspection of the cuts. With the shipping only of edible pork you would be confronted with the problem of inspecting the cuts. What safeguards would you have with regard to inspection or what inspection machinery would need to be built up in order to insure that the cuts came from inspected hogs and that they did not come from sows or overweight hogs?—A. Well, in so far as sows and overweight hogs are concerned, you would limit what could be supplied in your carcass by the weight.

Mr. PEARSALL: For example, suppose that you take hams from 10 to 14 pounds and backs and loins, comparable weights, which would be your limiting weight factor. So far as inspection is concerned, I do not know whether you are referring to quality inspection or health inspection. However, the meat supplied to the army must be slaughtered under Federal inspection and therefore stamped accordingly for health. As far as quality inspection is concerned that is something we would have to work out between ourselves if, as and when plans were arrived at, the same as in beef at the present time.

Mr. GLADSTONE: Would you anticipate there might be some difficulty in that connection?

Mr. PEARSALL: No. There should not be any great difficulty in inspecting your meat cuts, provided your specifications were properly drawn up. There is no great difficulty in inspecting cuts, no more difficulty than you would meet with in any other commodity. We would inspect in the packing plant prior to shipment the same as we do beef.

Mr. O'NEILL: Is there any difference between the price of a barrow hog or sow provided it is not a brood sow?

Mr. PEARSALL: You are speaking of—

Mr. HARRIS: A female pig.

Mr. O'NEILL: Female pig.

Mr. PEARSALL: Are you talking about the product or the carcass?

Mr. O'NEILL: No, I am speaking of this. Is there any difference in price with respect to the carcass?

Mr. PEARSALL: Oh, yes, very definitely.

Mr. HARRIS: Just a minute. Do not let that go, Mr. Chairman, Mr. O'Neill is talking about a female hog and a barrow hog. There is no difference between a female hog and a barrow hog. Apparently there is a difference between a sow.

Mr. O'NEILL: That is exactly the question I asked.

Mr. HARRIS: Quite.

Mr. O'NEILL: I am not speaking of a brood sow at all. I am speaking of a barrow hog or sow.

Mr. PEARSALL: No difference at all. Nobody could tell the difference after the hog is slaughtered.

Mr. O'NEILL: I could not see how they could, but I do not know. I am not an authority.

The CHAIRMAN: Col. Lawson, can you tell us, or Mr. Pearsall, about this? At present out of some parts of the hog included in the food being supplied to our army, pork sausages, hamburgers—

Mr. HARRIS: Just before you go on with that, Mr. Chairman, could we complete what Mr. O'Neill brought up?

The CHAIRMAN: Yes.

Mr. HARRIS: I should like to ask this question. What is the highest price, or rather what weight of hog, barrow hog, would bring the best price on the market today?

Mr. PEARSALL: From about 190 to 220 pounds.

Mr. HARRIS: Yes, 190 pounds. Mr. Chairman, I would like to make this observation.

Mr. O'NEILL: Dressed?

Mr. PEARSALL: No.

Mr. HARRIS: No, on the hoof. In the last ten or fifteen years they have gradually brought down the weight of hogs from 240 pounds to 220 pounds to 190 pounds. In the interests of national economy I make this observation. It is very easy to put weight on the hog from 190 pounds up to 240. It does not cost the farmer very much to do that. The restriction from the Department of Agriculture gradually brought those weights down to 190 pounds, with the result that 50 pounds, mostly fat, which is so easy for the farmer to put on the hogs, is not now being put on the hogs. There is a shortage we say of fats. They are very easily and very readily put on the hog by the farmer. I know why it is 190 pounds. You get more lean meat and it is more desirable for the

British markets. But in the interests of national economy I just want to put this on the record, that we may find in Canada that it will pay us to reverse that tendency while this difficult time is on and let the farmers put on a few more pounds, not to interfere with the export business in any way but for at least domestic consumption. In the matter of drawing army specifications, this might be an opportunity to put that reversal process under way, if you understand what I am trying to say—in the matter of national economy, and not putting in these heavy deductions to the farmer on hogs weighing 220 pounds that are going on now, and using the heavier hogs for army specifications. The meat would be better. There would be more fat saved. It would be produced very cheaply by the farmers.

The CHAIRMAN: And therefore be profitable to the farmer?

Mr. HARRIS: Very profitable to the farmer. Incidentally, they would eat up a lot of your mixed grain at \$2 an acre in doing that and provide more fat for Canada and less fat from outside and save some more foreign exchange.

Mr. GLADSTONE: If you added 10 pounds to the hog, it would be mostly all fat, would it?

Mr. HARRIS: Well, you would get more of the nature of the pork into the hog. Now, Mr. Chairman, it is getting to be something like this; the present hog today is like baby beef or veal compared with beef. Would you sooner have roast beef or roast veal? Which is better for you? I rather favour beef. We are not getting any beef in the terms of pork any more. Your pork now is nearly all veal pork, if you understand what I am saying.

The CHAIRMAN: Have you any information on that, Mr. Pearsall? Could you just swap thoughts on that?

Mr. HARRIS: I do not want to ask the witness—

Mr. PEARSALL: I think I should comment on that, for this reason—

Mr. HARRIS: I would rather he does not. He does not need to pass any comment on it. I just put that on the record.

At this point evidence was given in camera.

I might go further and say this in support of the suggestion made by the member of the committee, that we have undertaken or are undertaking a rather heavy contract for next year; and it will mean that we will require all the hogs that are now in sight in Canada. We propose to definitely suggest to our farmers not to market a hog under 190 pounds. In other words, we have probably 30 per cent of our hogs that are below 190 pounds—I do not know exactly what it is. We are going out with the definite undertaking to try and get all our hogs up to that weight. If we can do that, it will give us another 25,000,000 pounds of product and that in part will help in putting on this extra fat.

The CHAIRMAN: Yes. that is the minimum?

Mr. PEARSALL: Yes.

The CHAIRMAN: You are not charging so as to encourage—

Mr. PEARSALL: In the process of getting your hogs up to the minimum—I mean, if a farmer is going to keep a litter of pigs and bring them up, and the bottom hog is, say, 190 pounds, in the process of bringing them up he will probably get his other hogs a little heavier. But we do not want to go over the top of 220.

Mr. O'NEILL: It has, in the past, reacted against the farmer, because he could get a better price for a hog that weighed 190 to 200 than he could for a hog that weighed 220 or 230.

The CHAIRMAN: That is right.

Mr. PEARSALL: Up to 220.

Mr. O'NEILL: When hogs get up to 240 pounds they cannot sell them.

Mr. PEARSALL: But the 220 pound weight is a fairly safe limit. There has never been any discount there.

Mr. O'NEILL: I hear people in my constituency kicking. They say they were told to raise hogs, and because they came in with heavy hogs they could not sell them.

The CHAIRMAN: The same has happened to me.

Mr. O'NEILL: The farmer did not gain anything, as Mr. Harris has suggested, by putting a few extra pounds on. He got less money for his hogs.

The CHAIRMAN: Would you tell the committee, this, Mr. Pearsall? You gave it to me this morning and I wish you would tell the committee. I am speaking of the relationship of export, domestic and army supply. What would you say were the total figures, broken down, as between export, domestic and army?

Mr. PEARSALL: Mine is a rough estimate and I would not want anybody to come back and just tie me to one or two percent on it, but, roughly, I would say that right to-day the business is divided up somewhere between 75 per cent and 80 per cent export to the U.K.—probably closer to 80 per cent; and probably about 19 per cent domestic and one per cent or one and a half per cent to two per cent army and military contracts. I am speaking of pork now.

The CHAIRMAN: Col. Lawson, to go back to my question with regard to this—at present army makes what admittedly is a rather costly use of these belly portions in the making of sausages and hamburgers.

Col. LAWSON: And head-cheese.

The CHAIRMAN: And head-cheese. Nevertheless, that is part and parcel of the food that is being given to the soldiers?

Col. LAWSON: That is right.

The CHAIRMAN: I presume it helps to diversify the menu and would be an acceptable portion of the diet.

Col. LAWSON: Definitely.

The CHAIRMAN: Then if we do not give you these portions that you are now using, I take it that in some way army would have to continue to supply it, what type of food?

Col. LAWSON: We would either have to supply it or not supply it, and that would be a subject to be discussed by our committee on dietetics and so on.

The CHAIRMAN: Mr. Pearsall had a suggestion there. He said that there were certain portions—what did you call them?

Mr. PEARSALL: Trimmings.

The CHAIRMAN: You said that trimmings can be purchased at what amount?

Mr. PEARSALL: I have not got the figure lately, but last fall they were exporting them to the States at around 10 cents.

The CHAIRMAN: What do those trimmings consist of?

Mr. PEARSALL: Well, they are lean and fat trimmings that are trimmed off the carcass in the process of making a Wiltshire side. They can be made up of jaw meat and shoulder trimmings and belly trimmings and ham facings.

The CHAIRMAN: And would it be quite suitable for sausage?

Mr. PEARSALL: I would consider it very suitable for making sausage because they would probably contain about 60 per cent and 40 per cent fat. I would think it would make very good sausage, although I do not know very much about the sausage business.

By Mr. Gladstone:

Q. If the army were to buy sausages or bologna, what would be the price paid in comparison with the price of hog carcasses or beef carcasses?

Mr. PEARSALL: I do not know what you could buy sausages for.

The CHAIRMAN: Do you know, Mr. Harris?

Mr. SISSONS: The price of bologna is given as 15 cents per pound in this memorandum.

The CHAIRMAN: To the packers?

Mr. SISSONS: Yes.

By Mr. Gladstone:

Q. What about beef carcasses?

Colonel LAWSON: 16.3. That is the average from coast to coast.

By Mr. Picard:

Q. There could be some other meats, like the trimmings, that could be used for sausages if you want to make them at the camp. Could a more profitable use be made of the sides and a more economical use and still have the trimmings for the sausages?

Colonel LAWSON: Yes, but if we only accept shoulders and hams there would be a very little left to make sausages with.

Q. But you could buy it separately more economically?—A. Yes. That was suggested.

Q. Would you care to pass any comment on that?—A. No, I would not care to pass any comments on it.

Mr. HARRIS: Mr. Chairman, let us be clear on this. One hundred pounds of sausage does not represent one hundred pounds of pork or beef. One hundred pounds of sausage has in it the potato flour and moisture which would amount to a very considerable portion of the poundage of sausage. One hundred pounds of beef or pork will make close to two hundred pounds of sausages.

The CHAIRMAN: I suppose that would be due to the use of these other parts?

Mr. HARRIS: Potato flour is worth six cents a pound, and you add water which the potato flour absorbs.

Mr. PICARD: Before we could reach any definite views on the proposal it might be helpful at a later date, since the witness does not think this is the proper time for him to make any comment—

The CHAIRMAN: I think, Mr. Picard, Colonel Lawson wants to consult with the dietitians.

Colonel LAWSON: That is it exactly.

Mr. GLADSTONE: They would have to be wide awake.

The CHAIRMAN: I think I shall endeavour to sum up for the benefit of these two gentlemen, and I shall be glad if the members will correct me or amend my statement if they see fit.

I think the Committee in approaching this problem recognizes the point stressed by Mr. Harris that we in no way desire that the rations supplied to our soldiers of the army, navy or air force be in any way decreased. We appreciate the point you raised, Colonel Lawson, that the mere raising of the cost of the rations a fraction of a cent to 200,000 per day over any period of time—certainly the period we expect this war to last—would be a matter that must deserve the greatest consideration.

We know that there are numerous details that must be considered, particularly the matter of getting the meat to the different points where it has to be used for food in good condition. That is a matter which must be considered

We recognize, too, that you, the army, will necessarily look at it—because that is your duty—from the standpoint of the army and that you will have to consult with the dietitians and the advisory board of whom the Quartermaster General spoke. We realize, too, that Mr. Pearsall and his department will have to weigh all these different things in determining what specifications will satisfy the requirements of the army.

In the matter of detail, that is to say, as to price, as to methods of inspection, we know that without more consideration we cannot get exact information on that.

Having said that, and knowing that that is your task, not ours, and that we are only having you here to-day to impress upon you the opinion formed by this committee that here is an avenue that should be very carefully and sympathetically considered to see if an economy can be effected. I would lay down this proposition; that even if the army only broke even but the national economy benefited by the saving of waste, then of course it would be advisable to do so. We must weld each into the whole for the benefit of the whole, because we are all in this war; everybody is a taxpayer, including the members of the army either directly or indirectly.

Our object to-day is to attempt—and I know that we have succeeded—to impress upon you, Colonel Lawson, as a representative of the Quartermaster General's branch, and you, Mr. Pearsall, as a representative of the Department of Agriculture, our desire that the proper officers of your department, and of any other department that may be required to be consulted, should give this matter the most deliberate and careful consideration with the purpose of achieving, as I say, economy, not only in the narrower meaning of the word, but in the larger national sense. I think that is the attitude of this Committee.

Mr. PICARD: Very well put, Mr. Chairman.

Mr. SISSONS: There is just one point to add to that, Mr. Chairman, as to whether the cost of the rations would be increased.

In the memorandum which the Canada Packers submitted to us they say:—

We estimate that the present ration of 14 ounces of hog only represents about 9 and a half ounces of beef, so that a ration of 9 and a half ounces of trimmed pork cuts, is fully equal to the present ration.

Even without any reduction in the ration, therefore, the cost would be decreased by 17.5 per cent.

That, apparently, is very carefully worked out; that 9 and a half ounces of the new ration would equal the present ration of 14 ounces, and that on that there would be a saving of 2.84 cents per man, or, in percentage, a saving of 17.5.

The Witness, Colonel Lawson, rather suggested that there would be an increase in the cost of the ration. This would indicate a great decrease in the cost, and that the new ration would be fully equal to the old ration. I should like some discussion on that. I should be very much alarmed if the soldier would get in reality a lower ration, and I should be alarmed if the real cost of the ration were considerably increased. The evidence submitted by Canada Packers to us is altogether the other way.

Colonel LAWSON: Mr. Chairman, that particular phase of the proposition has not been explored fully by our Department. The statement made by Canada Packers, we are not prepared at this time to accept. We are going to go into the thing further, and we will find out whether or not that is in accordance with the actual facts.

By Mr. Picard:

Q. Have you already asked for the advice of experts from the Department of Agriculture and from the expert dietitians, and so on?—A. No; that is our

intention. I may say that this letter only reached us yesterday. This letter, as you know, was the result of Mr. Bedard's report, and only yesterday, after a delay of about twelve days, did we get a reply from Canada Packers, having asked them to give us some information regarding prices. In the previous report, you understand, they went along and put in a long report but they said nothing about prices, which to us is very important.

The CHAIRMAN: What I would like you to do, Colonel Lawson—and I know it will not affect you in the careful study you give to it—as this came to us rather late in our summer session the Committee will wish to make—

Mr. HARRIS: I object to those words, "summer session," Mr. Chairman.

The CHAIRMAN: Well, the "recess"; let me put it that way.

Mr. HARRIS: The war has not stopped. We are right on this throughout.

The CHAIRMAN: The Committee will in all likelihood come back at a later date and ask you to give us a report on what has been done and what is the final decision.

By Mr. Gladstone:

Q. Is there a probability that there would be a tendency for soldiers to eat more pork without being cooked with so much fat?

Colonel LAWSON: Well, I do not know. I suppose they would eat more lean than fat. That would be the natural thing that anyone would do. But, nevertheless, they would not get any more than the ration which has to be determined. If they wanted more, they simply could not get it, that is all. Supposing we found that the figures of Canada Packers were correct and reduced our rations from 14 ounces to 9 and a half ounces, well, that is the ration, that is all.

By Mr. Sissons:

Q. But that is a ration of meat only, it is not a ration consisting of meat and skin and bone?

Colonel LAWSON: No, that is true.

By Mr. Gladstone:

Q. While they are eating the lean they would be eating a certain amount of fat?

Colonel LAWSON: Yes.

The CHAIRMAN: Here is one of the complications, Mr. Sissons. As you know, if a soldier wanted to, he could go in and have his ration weighed. That would be 14 ounces of all of these things we have been speaking about.

Mr. SISSONS: Yes.

The CHAIRMAN: That 14 ounces is made up actually of the pork that is served them, of the hamburger that is served them, of the pork sausages served them and the headcheese served them; they obviously will lose a certain portion of fat that goes into these things, but anything else that we leave at home they have to take into consideration. I am like Mr. Hansell, I argued with these two gentlemen this morning that the packers may be wrong on the price they quoted, but, I cannot see why there will not be a saving to the army.

Mr. SISSONS: I think with Mr. Harris that this is an opening bid and that we go from here.

The CHAIRMAN: Yes.

Mr. HARRIS: Hear, hear.

Mr. SISSONS: I think obviously there would be a saving, and we look to the army and we look to Mr. Pearsall to play the game and give us the best possible deal on it.

Mr. HARRIS: Hear, hear.

Mr. GLADSTONE: In the winter time we should have some fat.

Mr. HANSELL: Mr. Chairman, before we close, I may be dense in reading this brief through, but I cannot see where the Canadian Packers have given us any credit at all for the salvage that now takes place at the camp. There is some salvage at the camp. If they figure out the salvage that they themselves—

The CHAIRMAN: Well, they include one cent there, Mr. Hansell.

Mr. HANSELL: I do not think I saw that.

The CHAIRMAN: I think I saw that.

Mr. SISSONS: That is on page 2 of the letter.

Mr. HANSELL: Oh, but that is pertaining to beef; that is not in reference to pork. They do not submit a breakdown on beef at all.

The CHAIRMAN: On page 3 they state:

“Less salvage value at camp 25 per cent at one cent per pound.”

Mr. HANSELL: In what letter is that?

The CHAIRMAN: That is on page 3, the actual computation of the figures.

Mr. HANSELL: Now, I would like Col. Lawson at some future time to give us something more on that. I do not know whether that is a guess or not.

The CHAIRMAN: Col. Lawson did not think it was high enough, but I told him that Mr. Harris and the packers seemed to be in agreement as to the whole of Canada. In Toronto—I think I recall your figures—you said that would be about $2\frac{1}{2}$ cents a pound.

Mr. HARRIS: Yes.

The CHAIRMAN: And you agreed that throughout the whole length and breadth of Canada with all things considered it would net likely an average of one cent a pound.

Mr. HARRIS: Let me explain that one cent a pound against the market price of, say, two cents per pound. The cost of collection in the province of Ontario of these materials is 39 cents per 100 pounds. On a 3,000 pay load that pays the cost of your motor truck, depreciation, wages for your men, and a very small administrative charge, so that you can call that at least half a cent a pound and cost of gathering. Another important point there, Mr. Chairman, is that the efficiency of salvage cannot possibly be 100 per cent. You understand that. A fair guess would be 50 per cent. And in the camps, Mr. Chairman, away back in the hinterland where they have not got electricity or proper cooking stoves and the cook has to get up in the morning at 6 o'clock to get the breakfast on and the wood he lights his fire with and the fuel he uses do not kindle very quickly, 100 pounds of rendered fat—at least 50 pounds of rendered fat put along with the kindling wood or with the coke helps him to get that breakfast ready a good deal faster. I saw in the last year hundreds and hundreds of pounds of fat and of lard put right on top of the wood in the camps to help rush along the breakfast, especially if it had been raining the night before; so that the efficiency of salvage would average, perhaps, around 60 per cent. That is through nobody's fault, and that would be entirely avoided in the processing plant at the packing house.

The CHAIRMAN: I would certainly agree with you from my knowledge of the army.

Mr. PICARD: I have a note here that when we visited the Canada Packers one of the officials of Swift—by the way I may say that of officials of Swift whom we met seemed to share the views of the officers of Canada Packers although they did not submit a memorandum—one said, "Well, we believe 1½ million pounds of edible fats could be saved yearly with the changes we propose." I do not know whether that is an exact figure.

Mr. HANSELL: He mentions a million and a quarter.

The CHAIRMAN: That is on 100,000 rations. It will be different if it is double that. Mr. Bedard makes his computation on 100,000 men while Col. Lawson suggests 200,000 men.

Mr. HANSELL: You have still got to figure in if you are going to pay more for the beef that you do get—that you still may pay more for the beef.

The CHAIRMAN: These are details that these gentlemen and their departments must work out.

Mr. HANSELL: Yes. Mr. Chairman, there is another matter that I am interested in, and yet I am very hazy upon it, and that is the matter of oleomargarine. We do not use that yet in Canada, but we did during the last war.

Mr. HARRIS: We use shortening.

Mr. HANSELL: Yes, but not to spread it on your bread as we did during the last war.

Mr. HARRIS: Proctor and Gamble of Cincinnati in their advertising matter say to spread it on bread.

Mr. HANSELL: What I had in mind, Mr. Chairman, is that in the salvage of these fats by the packing companies, is there any possibility that if there is a butter shortage eventually that these fats will be used for oleomargarine and the packing companies will cash in on it? Now, that is what I have in mind, and if that is so, unless it is watched very carefully, it will not be in the interests of national economy. I do not know if Mr. Pearsall has any thoughts on that at all.

Mr. PEARSALL: I would hardly care to comment on that at the moment. A shortage of butter does not appear to be imminent.

The CHAIRMAN: Oleo is barred right now, is it not?

Mr. PEARSALL: As far as I know, yes. I am not in a position to say, but I think that is right. I may be exposing my ignorance, but I am under the impression that oleo is mostly vegetable fat, is that right?

Mr. HARRIS: Oleo fat is the resultant oil you get from pressing animal fat. You get the stearic on the one hand and the oleic on the other. With regard to the problem Mr. Hansell has raised, oleo as such at no time reached any sizeable proportions with regard to butter. Butter production in Canada was roughly 250 million pounds and oleomargarine got up to about as high as 10 million pounds before it was banned, and when it was banned the door was left wide open—the back door was left wide open for the importation of vegetable oil which was used for all the other shortening purposes that butter or lard had previously been used for with the result that the production of these shortenings which replaced animal butter fat, lard and animal fats of all kind got up to the figure for total imports of all kinds of 239 million pounds which was subsequently turned into these shortenings which amounted to about 16 million pounds, so that the relationship between the 160 million pounds of shortenings which replaced all animal fat shortenings and the 10 million pounds of oleomargarine when it was banned—it is out of all proportion and it really

gets to the point where it was a joke to stop oleomargarine and at the same time let all these other products replace butter in cakes and lard in bread and animal fat shortenings for frying for all purposes.

The CHAIRMAN: You will be glad to get back to oleo?

Mr. HARRIS: No. I say no. I would not, Mr. Chairman. I am going to waste a little more of your time to say that I would rather go back to the churn on the back verandah and make more butter and go back to the hog that weighed up to 220 pounds and make more lard in this country; but I am of opinion that animal fats in this zone that we live are much better for the people of Canada than the vegetable fats which come from the tropics.

The CHAIRMAN: I recall one remark by Mr. McLean, was it not, or Mr. Murray. Do you remember that he said that if they were allowed to go back into the making of oleo the value of that would be much increased.

Mr. PICARD: As far as the shortage in dairy products is concerned, I think Mr. Hansell need have no fear. As far as the officers of the Department of Agriculture are concerned, the problem for them seems to be the marketing of butter more than the danger of a shortage.

Mr. HANSELL: Yes, but my point was this, that in the interest of national economy if the public are going to pay for oleo out of the hands of the packing houses it may not be in the interests of national economy. Now, I have no particular criticism to make of packing companies, but perhaps it is my feeling or perhaps it is intuition, but when the packing companies submit a brief like this you still have to show me that they do not submit that brief in the interests of good business on their part.

The CHAIRMAN: Oh, quite.

Mr. PICARD: Good business could be coincident with national economy. If your rations have the same food value and if a certain amount of food value is left to be marketed even if the companies make a profit of it it is national economy.

Mr. HANSELL: If it costs the army less and eventually the public more then it is not in the interests of national economy.

Mr. PICARD: At the moment the value of two parts is lost entirely: a change means a saving.

The CHAIRMAN: That is the point.

Mr. PICARD: And the packers will not make a profit after National Revenue Department has collected.

The CHAIRMAN: We have developed a technique of taking the profits out of the packers.

Mr. HANSELL: That is why I would like to have Col. Lawson give us some more details with reference to the salvaging of these things. There may not be so much loss as this brief would seem to indicate. I mean to say that fats are used for soap. Supposing the army had to pay for their soap. They would have to buy their soap from soap companies which they now make. It may not be any cheaper.

Mr. O'NEILL: They are buying that fat to make soap. They are paying for that fat at a meat rate. They are paying for it in the beef at 15 cents a pound and in the hog at 18 cents a pound, and you can buy soap fat for very much less than that to make soap. They are buying expensive fats to make soap, fats that they should be conserving because they are edible fats.

Mr. HANSELL: On the other hand, they are going to pay more for their meat if the fat is taken off.

The CHAIRMAN: They have not come to that conclusion yet. They have to weigh all these things. However, we are through with these gentlemen and it now only remains for us to thank the witnesses for coming here to-day.

Mr. HARRIS: Before the witnesses retire let me say that it may expedite this investigation and get on with the job also to give consideration to, shall I say, streamlining or modernizing the effort in all these things because the war is on; let us get on with the job.

The CHAIRMAN: Speed is essential; there is no doubt about it.

The committee adjourned to the call of the chair.

(This concludes the evidence taken by Sub-committee No. 2)

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SESSION 1940-41

HOUSE OF COMMONS

(SPECIAL COMMITTEE)

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 14

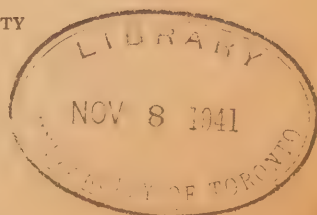
MONDAY, JULY 7, 1941

TUESDAY, JULY 8, 1941

OTTAWA.

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

MONDAY, July 7, 1941.

The Special Committee on War Expenditures met at 2.30 p.m., the Chairman, Hon. Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Bradette, Chevrier, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Hansell, Harris (*Danforth*), Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Thorson—20.

On motion of Mr. Bercovitch,—

Resolved,—That commencing on July 7, 1941, and until further notice, the following persons be employed at the same rates of pay and subject to the same terms and conditions as apply to members of the stenographic staff of the House of Commons during the sessions, namely, Agnes E. Anderson, Michele Grignon, Anne Ernst, Dorothy Waggett, Isobel Perazzo, Mary G. Beatty, Albert C. Barnes, Jean K. Taylor, Agnes Culross, Violet M. Jackson, Louise Nash, Stella Garneau, Alma Bonnet.

On motion of Mr. Hansell,—

Resolved,—That the following persons be employed commencing July 7, 1941, and until further notice, as dictaphone operators for the Committee reporters' staff, at the same rates of pay and subject to the same terms and conditions as during the session, namely, Cecile Sabourin, Helen Charleson, Jean Knox, Zita Armstrong, Ada Kellett.

On Motion of Mr. Cleaver,—

Ordered,—That the expense account of \$35.45 submitted by M. A. Seymour of St. Catharines, Ontario, who gave evidence before Subcommittee No. 1 on May 14, 1941, be approved.

The Chairman having invited suggestions as to the re-organization of the Committee to carry on its activities during the period of adjournment of the House, Mr. Golding moved that the agenda subcommittee appointed on April 30, 1941, be re-appointed with the substitution of the names of Messrs. Coldwell and Hansell for those of Messrs. MacInnis and Marshall, the said agenda subcommittee to convene immediately and report to the main committee at its next sitting.

Motion carried.

Mr. Harris read into the record a letter from Mr. John G. Diefenbaker M.P., member of the Committee, stating that he had found it impossible to come to Ottawa for the opening sessions of the Committee, being detained in Prince Albert, Saskatchewan, during the visit of the Prime Minister, the Right Honourable William Lyon Mackenzie King.

The Committee adjourned until to-morrow at 9.30 a.m.

R. ARSENAULT,

Clerk of the Committee.

TUESDAY, July 8, 1941.

The Special Committee on War Expenditures met at 9.30 a.m., the Chairman, Hon. Mr. Thorson, presiding.

Members present: Messrs. Abbott, Bercovitch, Bradette, Chevier, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Graham, Hansell, Harris (*Danforth*), Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Reid, Ross (*Moose Jaw*), Sissons, Thorson.—21.

On motion of Mr. Reid,—

Ordered,—That the name of Grace L. Bennett be added to the list of stenographers whose employment by this committee as from July 7, and until further notice, was authorized at yesterday's sitting.

The Chairman presented the report of the agenda subcommittee as follows:—

The Agenda Subcommittee of the Special Committee on War Expenditures recommends:—

(1) That a subcommittee be appointed to inquire into the following matters:—

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Army, navy and air force buildings construction, specifications and designs for such projects and the inspection thereof during construction;

and that such subcommittee consist of Messrs. Cleaver (Chairman), Black, Diefenbaker, Golding, Pottier and Reid.

And that the quorum be (3).

(2) That a subcommittee be appointed to inquire into the following matters:—

- (a) Medical, dental and hospitalization services in the army, navy and air force;
- (b) Food and other supplies, including miscellaneous services for the forces, the inspection and distribution thereof and the salvage of waste;

and that such subcommittee consist of Messrs. Graham (Chairman), Gladstone, Harris, Hansell, O'Neill, Picard and Sissons.
and that the quorum be (3).

(3) That a subcommittee be appointed to inquire into the following matters:—

- (a) Financial controls over army, navy and air force expenditures;
- (b) Headquarters establishments in army, navy and air force;

and that such subcommittee consist of Messrs. Fournier (Chairman), Abbott, Bercovitch, Bradette, Chevier, Coldwell, Green, Macdonald, McIlraith, and Ross;

and that the quorum be (4).

(4) That each of the subcommittees do report their findings and recommendations to the committee;

(5) That the Chairman, or in his absence, the vice-chairman, be ex-officio a member of all subcommittees.

In the course of the discussion that followed, it was unanimously agreed that members of a particular subcommittee be invited to attend the sittings of any of the two other subcommittees when not in attendance in their own subcommittee.

On motion of Mr. Coldwell, the report of the agenda subcommittee was adopted.

On motion of Mr. Golding,—

Resolved,—That the Committee retain the services of Mr. James Alexander Ross, formerly employed as Chief Treasury Officer of the Customs and Excise Divisions, Department of National Revenue, and now on superannuation, Mr. Ross to be remunerated at the rate of pay he was receiving immediately prior to his superannuation, and his services with the Committee to date as from July 8, 1941, until further notice.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

(Verbatim Report)

HOUSE OF COMMONS,

ROOM 429,

July 7, 1941.

The Special Committee on War Expenditures met this day at 2.30 o'clock p.m. The Chairman, The Honourable J. T. Thorson, presided.

The CHAIRMAN: At our last meeting the Chairman was authorized to make arrangements for the employment of the necessary stenographers for the work of the committee. I have here a list of stenographers whose names were proposed, who have been written to and who have indicated their acceptance of the employment.

The Clerk informs me that a motion is required for the fixing of the terms of employment. I think the general understanding was that the girls would be paid at the same rates and subject to the same terms and conditions as when they were on the sessional staff of the House of Commons. If that is agreeable to the committee, perhaps someone would make a motion that the following persons be employed at the same rates of pay and subject to the same terms and conditions as obtained when they were members of the stenographic staff of the House of Commons.

Mr. REID: Will the girls be available to do work for the members?

The CHAIRMAN: Yes.

Mr. REID: How many are there?

The CHAIRMAN: I have a list here containing the names of twelve. Perhaps one other is still to come. I think these girls have all reported, although I have not checked on that.

Will someone make a motion to that effect?

Mr. BERCOVITCH: I so move, Mr. Chairman.

Mr. ROSS (*Moose Jaw*): I second the motion, Mr. Chairman.

The CHAIRMAN: Is there any discussion?

Mr. ROSS (*Moose Jaw*): Will they receive the same rate of pay as they received during the session?

The CHAIRMAN: Yes.

Mr. BRADETTE: Is there any objection to reading the list, Mr. Chairman?

The CHAIRMAN: No. This is the list:—

Miss Agnes E. Anderson,

Mrs. Anne Ernst,

Miss Dorothy Wagget,

Mrs. Isobel Perazzo,

Mrs. M. G. Beatty,

Mr. A. C. Barnes,

Miss J. K. Taylor,

Miss Agnes Culross,

Miss V. M. Jackson,

Mrs. Nash,

Mrs. Garneau,

Miss Bonnet.

Miss Fitzgerald has not yet been heard from, but those whose names I have read have all indicated their acceptance.

Mr. BRADETTE: Is there a Miss Savard?

The CHAIRMAN: Miss Savard declined. We have not heard from Miss Grignon, but Mr. Picard has been written to with regard to her.

Mr. REID: Might I ask if these names were recommended by certain members?

The CHAIRMAN: Yes; all recommended by certain members. As far as possible we have tried to follow the recommendations of the members in the matter.

Mr. BRADETTE: How many bilingual stenographers are there?

The CHAIRMAN: Mrs. Garneau and Miss Bonnet. Miss Savard declined, and we have not heard yet from Miss Grignon.

Mr. REID: Might I ask if the hours will be the same?

The CHAIRMAN: I suppose so.

Mr. REID: The reason I ask is that I know the girls who are on in between sessions are not here during the regular time; it is impossible to get any of these girls who are here between times.

The CHAIRMAN: They will be available when their services are wanted.

Mr. O'NEILL: I think we should plan to have these girls on duty as much as possible during the times when we are not on duty in the committee.

The CHAIRMAN: I think that can be easily arranged.

Mr. HANSELL: Have any of them been assigned yet to any members?

The CHAIRMAN: No, they have not been assigned, except in relationship to the persons who have recommended them. I imagine the assignments will follow as a result. I thought that perhaps one of these girls might be put in the position of being a supervisor to keep track of the staff.

Mr. CLEAVER: That is a good idea; also to indicate the overtime. Under the sessional staffs we always have a few girls available in the evening for overtime work.

The CHAIRMAN: Yes. There will have to be a number of adjustments. All in favour of the motion?

Carried.

A similar motion is required in respect of the dictaphone operators for the Committee Reporters' staff. There are five girls who are to be employed, and their rate is the same as during the session. Will someone make a similar motion in respect to these girls?

Mr. HANSELL: I so move.

Mr. GOLDING: I second the motion.

The CHAIRMAN: It has been moved and seconded that the following persons be employed as dictaphone operators for the Committee reporters' staff at the same rates of pay and subject to the same terms and conditions as during the session:—

Cecile Sabourin,
Helen Charleson,
Jean Knox,

Zita Armstrong,
Ada Kellett.

I was also authorized to make arrangements for the employment of secretarial assistance. Perhaps we ought not to have used the term "secretary." The person whom we had in mind was somebody who would assist in the investigations that will be made by the Committee, but I have not been able to contact a satisfactory person for that work, although I have discussed the matter with one person and I think perhaps he will be available. He is to let me know a little later, so that for the moment we can let that matter stand.

The Clerk brings to my attention an expense account of a witness, Mr. M. A. Seymour. This was in connection with subcommittee No. 1.

Mr. CLEAVER: Yes.

The CHAIRMAN: He was a witness before your committee, Mr. Cleaver?

Mr. CLEAVER: Yes; he came at our request. He is President of the Flying Club Association of Canada. I have checked his account, and I would move payment.

The CHAIRMAN: The motion might perhaps be put in this form: That the expense account of \$35.45, submitted by M. A. Seymour of St. Catharines, Ontario, who gave evidence before Subcommittee No. 1 on May 14th, 1941, be approved.

Mr. CLEAVER: I so move.

Mr. POTTIER: I second the motion.

The CHAIRMAN: Is there any discussion?

Carried.

Mr. COLDWELL: What about reporters? Are we not going to have reporters for this committee? You have provided for stenographers and dictaphone operators.

The CHAIRMAN: The reporters continue. The reporters of the House of Commons committee staff continue as such.

Mr. COLDWELL: They are paid by the House of Commons by the year.

The CHAIRMAN: They are paid by the House of Commons and by the year. There is a question arising out of that which I think we ought to give some thought to. The members of the reporting staff are employed by the year.

Mr. COLDWELL: I thought it was by the session.

The CHAIRMAN: Or by the session.

Mr. CLEAVER: The session has only adjourned; it has not prorogued.

The CHAIRMAN: The session continues. But there is a clause, I believe, in the Civil Service Act which authorizes the members of the reporting staff to be free for other employment during a recess. Now the question arises as to whether this is a recess within the meaning of that statute. If it is not a recess, then they continue. If it is a recess, then some arrangement has to be made for their employment during the recess. As I understand it, the Clerk of the House takes the view that the term "recess" does not cover the period of an adjournment such as the one under which we are now operating. But as members of the committee I think we might well, if we can, give some thought to the question of something additional to the reporting staff. Whether it is within our power to do so, in view of the fact that all expenditures under the vote will be made as directed by the Internal Economy Board of the House of Commons, is a matter that we shall have to give some consideration to. Personally, I should like to see something paid to the members of the reporting staff, and I think perhaps we can turn that over in our minds. It is not something that we have to decide today. I should like to check that over with the clerk of the House and perhaps with members of the Internal Economy Board. Personally I should like to see some additional remuneration paid to the reporters.

Mr. COLDWELL: I think there should be.

Mr. CLEAVER: Mr. Chairman, they have had an exceptionally long session already, and to add to that is something which I think might be very unfair. Why should we not pass a resolution without affecting the internal economy of the House at all? Why could we not pass a resolution employing them on temporary basis?

The CHAIRMAN: There is just that legal question involved. If it is the sense of the committee, for example, that they should get some extra remuneration, it might strengthen my hand in discussions with members of the Internal Economy Board.

Mr. CLEAVER: Then, to bring the matter to a head, I would so move, if you like.

The CHAIRMAN: I do not think that a motion is possible, because it may have no legal effect.

Mr. ROSS: I think it is the opinion of the committee that the reporters should be given something.

The CHAIRMAN: This is just to take the sense of the committee and it is really off the record in that regard, because a motion may have no effect.

Mr. COLDWELL: I imagine that the reporters look upon what they earn in the recess as part of the year's salary.

The CHAIRMAN: Ordinarily, if the House had prorogued, they would have been free to accept other employment. But by reason of the fact that the House did not prorogue but adjourned, they are not free to accept other employment; and it all depends on what is the meaning of the word "recess" in the Civil Service Act.

Mr. COLDWELL: I suppose one way of getting around it would be to suggest some honorarium at the close of the proceedings.

The CHAIRMAN: Yes, something of that sort. Reverting for a moment to that list of stenographic help, I might say that Miss Grignon's name is to be added to the list that we have. I think that disposes of all formal matters of a business nature, unless there is something else.

The CLERK: Not that I know of.

The CHAIRMAN: The telephone number for the stenographers' section is 3155.

Mr. BRADETTE: Is the franking right of members maintained?

The CHAIRMAN: The House is in session and I assume that franking right continue.

Mr. McILRAITH: Franking rights continue as the House is still in session.

The CHAIRMAN: Yes. I assume that franking rights continue.

Now gentlemen, we are met for the purpose of continuing our work pursuant to an order of the House made as a result of the adoption of our motion for concurrence in our third report. The various subcommittees that operated before they were dismissed and merged again into the main committee were in the course of making inquiries into certain subjects, none of which were completed, and all of their reports were in the nature of interim reports. I think there was general agreement that the committee could best operate by way of subcommittees. When we went into subcommittees previously we did so pursuant to a report from an agenda committee which this committee appointed. We appointed an Agenda Committee consisting of the chairman, the vice-chairman, and Messrs. MacInnis, Marshall, Green, Macdonald, Graham and Fournier. Subsequently that Agenda Committee brought in a report recommending the creation of subcommittees and the assignment of certain specific topics of these subcommittees. I suggest we should have a discussion as to whether we should or should not follow along in the same manner or in a similar manner in respect to the work we have to do during this period of adjournment.

Mr. GOLDING: Mr. Chairman, I would suggest that in view of the fact that these subcommittees were set up and as you know did a good deal of work in the line that was assigned to them, that they carry on until they have their reports complete.

The CHAIRMAN: I indicated previously what we did first was to appoint an Agenda Committee to bring in a report as to the assignment of subjects and as to the composition of the subcommittees. If it is the sense of the committee that a similar course should follow I would invite a motion that an Agenda Committee be appointed making the necessary changes proposed.

Mr. ROSS: There are several new members on the committee.

The CHAIRMAN: Yes, I would suggest that Mr. Coldwell take the place of Mr. MacInnis and that Mr. Hansell take the place of Mr. Marshall on the Agenda Committee. Then perhaps Mr. Harris would take the place of Mr. Green, as Mr. Green is not here now.

Mr. BRADETTE: He may be present at a subsequent meeting.

Mr. HARRIS: Just on that point may I read a letter into the record, since you have brought up personnel?

The CHAIRMAN: Yes.

Mr. HARRIS: This is dated Prince Albert, Saskatchewan, July 5, 1941, and is addressed to me at the House of Commons. I received it this morning. The letter is from Mr. John G. Diefenbaker and he says:—

I should have written you earlier, but it just seemed not possible to do so. The Right Hon. William Lyon Mackenzie King will be in Prince Albert this evening—

That is, Saturday night, the 5th—

—tomorrow and Monday. I have been asked to be present at various functions in his honour, hence I cannot leave for the east before Tuesday night, and will try to attend the committee Wednesday.

So I presume he will be here Wednesday. This letter is signed John G. Diefenbaker.

Mr. GOLDING: I would move, Mr. Chairman, that this Agenda Committee be again set up with the changes that you have suggested.

The CHAIRMAN: Changing Mr. Coldwell for Mr. MacInnis, Mr. Hansell for Mr. Marshall, and leaving the subcommittee otherwise as it is.

Mr. GOLDING: I think it would be well.

The CHAIRMAN: Unless Mr. Green signifies his intention of not being present. He is not here today.

Mr. GOLDING: I do not think it would be fair to remove him from the committee unless he signifies his intention of not being present.

The CHAIRMAN: This Agenda Committee is for the purpose of functioning as rapidly as possible and striking the subcommittees and the assignment of subjects as soon as possible so that we can get into action as rapidly as we can.

Mr. POTTIER: I suggest we leave Mr. Green on.

Mr. FOURNIER: If he is not here today he may be here tomorrow.

The CHAIRMAN: I think this Agenda Committee ought to meet immediately.

Mr. HARRIS: I would suggest the committee remain as it was and go ahead and do its business. If the members are not here that is their own responsibility.

The CHAIRMAN: Well, perhaps you can sit in with the Agenda Committee.

Mr. HARRIS: I do not feel disposed to substitute myself for one of my colleagues. There is no politics here. I do not recognize politics in this committee, nor do you.

The CHAIRMAN: Is that the wish of the committee? This Agenda Committee will consist of the chairman, the vice-chairman and Messrs. Coldwell, Hansell, Green, Macdonald, Graham and Fournier.

Mr. CLEAVER: Carried.

Suggestion agreed to.

The CHAIRMAN: I do not think I can offer anything else for the programme for this afternoon except possibly that we might adjourn now and have the Agenda Committee meet immediately with a view to arriving at a report.

Mr. BRADETTE: You do not need a motion for the re-establishment of these subcommittees?

The CHAIRMAN: No. The Agenda Committee will be the committee that will strike the subcommittees and will bring a report back to this committee, following the same procedure that we followed the last time.

Mr. CLEAVER: To what hour would you like to adjourn tomorrow?

The CHAIRMAN: I am in rather of a quandary with regard to tomorrow.

Mr. CLEAVER: It will be a very short meeting. We will meet for the matter of receiving a report.

The CHAIRMAN: Would it be possible to meet at 9.30?

Some HON. MEMBERS: Yes.

Mr. CLEAVER: I move we adjourn now until 9.30 tomorrow morning.

The committee adjourned at 3.10, to meet tomorrow at 9.30.

July 8, 1941.

The Committee on War Expenditures met at 9.30 o'clock. The Chairman The Honourable J. T. Thorson, presided.

The CHAIRMAN: Well, gentlemen, we have a quorum. We will come to order.

Mr. Reid has asked that the name of another person be added to the list of stenographers whose employment was authorized yesterday.

Mr. Reid then moves that the name of Mrs. G. L. Bennett be added to the list of stenographers whose employment by this committee was authorized at yesterday's sitting.

Mr. ROSS: I would second that motion.

Motion agreed to.

Mr. POTTIER: It must be distinctly understood that this must be the end of this adding numbers to this list.

The CHAIRMAN: I think it must come to an end pretty soon. I think we have enough now.

Mr. POTTIER: I think so.

The CHAIRMAN: Now, the agenda committee that was appointed by the committee yesterday met yesterday afternoon immediately after the session of the committee, and has agreed upon a report. A copy of the report of the agenda committee has been placed before you.

July 7, 1941.

The Agenda Subcommittee of the Special Committee on War Expenditures recommends:—

(1) That a subcommittee be appointed to inquire into the following matters:—

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Army, navy and air force buildings construction, specifications and designs for such projects and the inspection thereof during construction;

and that such subcommittee consist of Messrs. Cleaver (Chairman), Black, Diefenbaker, Golding, Pottier and Reid and that the quorum be (3).

(2) That a subcommittee be appointed to inquire into the following matters:—

- (a) Medical, dental and hospitalization services in the army, navy and air forces;
- (b) Food and other supplies, including miscellaneous services for the forces, the inspection and distribution thereof and the salvage of waste;

and that such subcommittee consist of Messrs. Graham (Chairman) Gladstone, Harris, Hansell, O'Neill, Picard and Sissons; and that the quorum be (3).

(3) That a subcommittee be appointed to inquire into the following matters:—

- (a) Financial controls over army, navy and air force expenditures;
- (b) Headquarters establishments in army, navy and air force;

and that such subcommittee consist of Messrs. Fournier (Chairman), Abbott, Bercovitch, Bradette, Chevrier, Coldwell, Green, Macdonald, McIlraith and Ross; and that the quorum be (4).

(4) That each of the subcommittees do report their findings and recommendations to the committee;

(5) That the Chairman, or in his absence the vice-chairman, be ex officio a member of all subcommittees.

Mr. COLDWELL: I would move the adoption of the report.

The CHAIRMAN: The subcommittee was unanimous in its recommendations, and Mr. Coldwell moves the adoption of the report.

Mr. MACDONALD: I would second the motion.

The CHAIRMAN: Is there any discussion?

Mr. REID: Might I ask if the subjects mentioned in the agenda complete the investigation of the committee?

The CHAIRMAN: Oh my, no, no, no; these are topics that have been suggested as being perhaps topics requiring first study; that is, they are topics that are listed for study and inquiry in order of priority. There are quite a large number of other topics, but it is a very full assignment for the period that we have in contemplation.

Are you ready for the question?

Mr. HARRIS: Just before the discussion closes there are one or two observations I would like to make. The first observation I would like to make, Mr. Chairman, is even though you have divided this up in your wisdom into three committees those of us who are serving on the other two should in my opinion

be quite free to know everything that is going on in the other two committees. Then, I wish to say to the chairman of subcommittee No. 1 (Mr. Cleaver) that his observation with regard to those of us serving on other committees showing signs of lack of grace, or something to that effect, in criticizing their work is something which should not obtain in this general committee; and should I be privileged to serve on committee No. 2, I want you, sir, to distinctly understand that I retain my right to criticize, suggest and discuss reports emanating from the other two committees. I want that to be made abundantly clear, and I think, Mr. Chairman, those who are chairmen of the other committees will at least accept my viewpoint on that, and I assure them of charity in all observations, only having in mind the general good of the whole cause. I am very anxious that that should be clear and I hope that when such discussion does come up, if I find it necessary to make some observations, that those observations will be received by the members of the other committees in the spirit in which I make them. With that reservation I am quite in accord with this viewpoint.

The CHAIRMAN: There was some discussion on that very subject in the agenda subcommittee; and I for one entirely agree with the suggestions made by Mr. Harris. Indeed, I think it is going to be highly desirable that all the members as far as possible keep in contact with all the subjects that are under discussion, and as I see the way in which the subcommittees will function it won't be possible, for example, for each of the subcommittees to be sitting twice a day—for each of them to sit twice a day it would mean six sessions altogether—well, the limitations of the reporting staff will make that impossible, and other factors will make it impossible; the sessions of the various subcommittees will have to be staggered. Well, I think it will be highly desirable when one subcommittee is not actually sitting and another subcommittee is sitting that the members of the first subcommittee should be in attendance at the session of the second subcommittee, and so on, as far as possible. In that way all the members of the committee will be able to keep in touch with the work of all the subcommittees, and the chairmen of the various subcommittees will have to agree among themselves as to the sessions of the subcommittees so that they shall sit as frequently as possible but have in mind the difficulties of the reporting situation and so on.

Now, any further discussion?

MR. GLADSTONE: Mr. Chairman, I would like to pursue further the point raised by Mr. Harris, with which you yourself have expressed accord, in the direction of finding some method whereby the members of the whole committee will be kept acquainted with the work that is going on in each of the subcommittees.

My contact with my electors back home leads me to feel that they are expecting very much from this committee. They are hopeful that there will be evidences very soon that we will be cutting deeply into army expenditures which to them seem unnecessary.

But I should like to say to the members of this committee who have not served previously that the method of conducting the work of subcommittees heretofore has not been of a nature whereby members not serving on that particular subcommittee would have any acquaintance at all with the work of the subcommittee day by day; they had no knowledge, actually, of what was going on until they received the final report. This shows itself when we get back home in questions that come to us, questions that come to me, for instance, as a member of subcommittee No. 2, relative to matters that were handled by one of the other subcommittees of which I had no knowledge and could not make any explanation.

I do think it is important that somehow we arrive at a method whereby as we go along, not at the time of the final report but as we go along, we

will have knowledge of what is going on. That is very important for the reason that many members who are not serving on a particular subcommittee may have some points or suggestions that they wish to advance for the consideration of the subcommittee, matters that have come to their knowledge back in their own ridings.

I am just wondering whether we ought not to have perhaps two meetings for informal or even non-recorded discussions twice a week whereby suggestions will be offered to each subcommittee concerning matters that have come to the knowledge of the various members in their experience back in their home ridings. I for one would be glad to be here two evenings a week, if necessary, in order that each of us may be fully acquainted at all times with what is going on in the other committees.

The CHAIRMAN: I think there is something valuable in Mr. Gladstone's suggestion and that possibly it could be arranged.

Mr. BRADETTE: Mr. Chairman, I believe Mr. Gladstone answered himself, for the reason that we have the records of all meetings of the subcommittee to which all members of this committee have access.

Mr. GLADSTONE: That is not an answer.

Mr. BRADETTE: It is. You have answered yourself. The records are there for you to peruse twice a day or ten times a day, if you want to. I have no objection at all to meeting again, but I do not see why it is necessary to have a fifth wheel, because all the records are there. I know that as far as committee No. 3 is concerned, the committee on which I sat, it was definitely stated that all members would have access to their reports.

Mr. GLADSTONE: Unless you have a system, you never get anywhere, and if you leave it to each individual member acting on his own to read these reports, it will not be done.

Mr. BRADETTE: Then I do not see the necessity for subcommittees; that is why they were established. I think we must be very careful not to get caught in the tide of the whole committee; otherwise you would be undoing the work you have done. You might as well sit as a whole committee—

The CHAIRMAN: You would never get through.

Mr. CLEAVER: Mr. Chairman, in furtherance of the suggestion made by yourself and Mr. Harris that all members of the committee should participate as far as possible in all of the sittings of the subcommittees I should like to suggest that all of the subcommittee meetings and all of the main committee meetings should as far as possible be held in this room. I should like to further suggest that we have definite hours of meeting, say from eleven o'clock to one o'clock in the morning, and from three to five o'clock or until we finish in the afternoon.

I should also like to suggest that on account of the size of the reporting staff and on account of the fact that a number of the members will want to attend most of the meetings we should simply have two committee meetings a day, and that the sub-chairmen should get together—

The CHAIRMAN: You might want three.

Mr. CLEAVER: Well, in the summertime, with the hot weather upon us, I thought perhaps we might do a little better work if we only had meetings twice a day, but that is only my view.

I will inform Mr. Harris now that subcommittee No. 1 is meeting at three o'clock this afternoon and he will be very welcome.

In regard to the comment which Mr. Harris made just a few moments ago, I am very sorry indeed if I have offended him in any way in regard to the remarks I made.

Mr. HARRIS: I am incapable of being offended. I have a hide like a rhinoceros.

Mr. CLEAVER: Apparently the remarks rankled a little. But it is a strange thing the way memory plays tricks on us, and to keep the record straight I should like to remind my friend from Danforth that subcommittee No. 1 brought in a unanimous report signed by two Conservatives and three Liberals.

Mr. HARRIS: On a point of order, Mr. Chairman, there are no Conservatives, no Liberals or anyone else in this room; but a group of men trying to do their best on behalf of Canada toward winning the war.

Mr. CLEAVER: The only substantial criticism to that report was that the committee, in regard to its work with respect to air observer schools, declined to give a black eye to the operating companies in advance before hearing the evidence with respect to profits which they were allegedly earning. That was the point at which I took sharp issue with Mr. Harris, and I did go so far as to suggest that not having had the advantage of hearing the evidence it was perhaps not fair that he should press this point. I did go too far, and I regret having made the statement that he had no right to object. But I still stick to the stand that the subcommittee was perfectly right in not prejudicing the case.

Mr. COLDWELL: Mr. Chairman, I think these apologies should be printed in Hansard.

Mr. HANSELL: Mr. Chairman, would you mind elaborating on this for some of us who did not serve on the committee last year? It states under subsection (a), subcommittee No. 3, "Financial control over army, navy and air force expenditures." Would you mind elaborating on the first phase of that—"Financial control over expenditures"? Just what does that mean?

The CHAIRMAN: What is meant by that is, what controls are there, or what controls should there be. At every stage of the formulation of an estimate, framing of an estimate, the recording of an expenditure against an appropriation, there are opportunities for review and check in connection with war expenditures. It is a very large and, indeed, almost an all-embracing subject.

Mr. HANSELL: I think that explains it. There is one other question I should like to ask. I must acquaint myself with the terms of reference to this committee, but have we any authority to examine any contract that has already been given?

The CHAIRMAN: Yes. We have no restriction in that regard, but we are not prohibited from enquiring into past expenditures.

Mr. HANSELL: I was glad that you mentioned a little while ago, Mr. Chairman, that these subjects or discussions did not exhaust them.

The CHAIRMAN: Oh, by no means.

Mr. HANSELL: Because I notice here that there is nothing for ship building

The CHAIRMAN: No.

Mr. HANSELL: That is quite a subject in itself.

The CHAIRMAN: As a matter of fact, that might possibly be assigned further at an early date. There are a great many subjects that are not yet included in this list.

Mr. PICARD: I think the suggestion which has been made, that all the members of the general committee should keep acquainted with the work of all the subcommittees, is a splendid one. On the other hand, if each committee sits only once in a while, we are bound to be here until next summer. Do you not think that the reporting facilities might be extended so that the subcommittees could sit twice a day? We are willing to stay here as long as you want us to, but if we sit only once in a while I do not think we will serve you

purpose as well as if each subcommittee were sitting at least five hours a day.—11 to 1, 3 to 6—every day. Otherwise it will be spread over a very long period of time.

The CHAIRMAN: That is something that we will have to work out in accordance with the facilities that we have. But I would think that each subcommittee should, as far as possible, sit at least once a day and perhaps twice a day.

Mr. PICARD: That is my humble view. I thought if we were sitting only once in a while, we would be wasting part of our time. If we sat twice a day we could do a lot more work and dispose of the work in less time.

The CHAIRMAN: I think we should sit as continuously as possible, consistent with the facilities that we have. Are we ready for the question?

Mr. ABBOTT: There is another factor to be considered. The responsibility for getting the material ready falls on the Chairmen of the subcommittees. It is pretty difficult, I would think, for a Chairman to prepare the work for more than one meeting a day, and he has a heavy load. If the other committees are sitting, and the members of the particular subcommittee which has only one meeting, if they are to keep themselves familiar with the work of the full committee by attending meetings of the other subcommittees, it will be difficult. I think we ought to try to have a meeting of each subcommittee once a day, if possible; but I can see that from the point of view of the Chairman it is going to be pretty difficult to arrange for witnesses and have them ready for more than one meeting a day, unless you have a witness who is going to carry on for three or four days. In that case you might well have two meetings a day. Otherwise it imposes a very heavy load on the Chairman.

Mr. HARRIS: You mean there should be preparation of witnesses?

Mr. ABBOTT: You have to find out what witnesses are available, when they can come, give them some idea of what material you want them to bring with them. I think anyone who has done that job will realize the difficulties. Of course, these subcommittees have not the advantage of counsel to do that work and get the stuff ready. That falls on the Chairman.

Mr. HARRIS: Mr. Chairman, I am rather in accord with the observations made by the hon. member for Bellechasse, Mr. Picard. I am rather in favour of those observations. I have in mind that perhaps all the sittings may not be held in this room. We may find it necessary to adjourn to Petawawa. We might even find it necessary for one of the subcommittees to adjourn to Toronto, for example.

SOME HON. MEMBERS: Oh, oh.

Mr. BRADETTE: Not Toronto.

Mr. HARRIS: I am rather in accord with the idea that the hon. member expressed. I think these men are rather capable men. Surely they can sit on their own work for two meetings a day, and let us get on with this tremendous task. The job is so big it is almost impossible to concentrate unless we do that. In our spare time or at our leisure we can catch up on the work that the others are doing. I am rather in favour of that idea of Mr. Picard's, sitting at least twice a day.

The CHAIRMAN: I also think there is something in what Mr. Gladstone suggested, namely that we might have periodic, occasional meetings of the whole committee as well for discussional purposes.

Mr. HARRIS: Once a week.

The CHAIRMAN: Now, are you ready for the question, gentlemen?

Mr. O'NEILL: Mr. Chairman, would a member of the general committee have a voice on one of the subcommittees of which he was not a member should he see fit to attend that meeting?

Mr. PICARD: He would have a voice but no vote.

The CHAIRMAN: I think he would be in the position, under the general rule, that he might attend and take part, but would not have a vote, in the matter of subcommittees. He will have his vote in the main committee.

Mr. O'NEILL: Would he have the right to speak?

The CHAIRMAN: Oh, yes.

Mr. CLEAVER: Yes, and to ask questions.

The CHAIRMAN: Oh yes, I think he would have that right.

Mr. BRADETTE: As a point in general discussion, might I ask if it would be in order for the clerk of the committee to send notices to all the members of all subcommittee meetings?

The CHAIRMAN: Yes. And I think we should have a clerk in attendance at each subcommittee, if that can be arranged; and I understand from Mr. Arsenault that it can be arranged.

Mr. FOURNIER: And that these clerks receive the same treatment as the reporting staff, if anything is done.

The CHAIRMAN: What is that?

Mr. FOURNIER: We discussed yesterday the matter of the reporters. Perhaps we could do something for the clerks.

The CHAIRMAN: They are in a somewhat different position by statute.

Mr. FOURNIER: Oh, they are working the year round?

The CHAIRMAN: Yes. I beg your pardon. The clerk tells me that they are in the same position. That is something that we shall have to discuss.

Mr. FOURNIER: We will have to discuss that.

The CHAIRMAN: Yes. Are you ready for the question?

Some hon. MEMBERS: Question.

The CHAIRMAN: All in favour of the motion for the adoption of the report of the agenda committee? Contrary, if any? I declare the motion carried unanimously. I do not think there is anything else. Therefore a motion to adjourn at the call of the chair will be in order.

Mr. FOURNIER: Mr. Chairman, there is the matter of Mr. Ross. Yesterday you mentioned that you had in mind a Mr. Ross who could help in the work of the preparation of the meetings of the committee.

The CHAIRMAN: Oh, yes. Arrangements have been made for the employment of Mr. Ross. I have just forgotten his initials. He is a superannuated member of the Civil Service, and it was suggested that he might be taken on at the rate of pay that he was receiving prior to his superannuation. He would then go off superannuation during the period of his employment by the committee.

Mr. BERCOVITCH: What is he supposed to do, Mr. Chairman?

The CHAIRMAN: To aid the various subcommittees in a variety of ways in connection with investigation work—for example, the replies to the questionnaires might have to be broken down and set up again.

Mr. BERCOVITCH: Is he a lawyer?

The CHAIRMAN: No. He is an ex-treasury official, familiar with financial controls and the treasury operations.

Mr. GOLDING: Do you require a motion, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. ABBOTT: How long is it since he was superannuated?

The CHAIRMAN: Just about a year ago.

Mr. BERCOVITCH: He might be useful.

Mr. GOLDING: Yes.

The CHAIRMAN: I think he will be useful.

Mr. GOLDING: I would move that Mr. Ross be employed.

Mr. FOURNIER: I will second that motion.

Mr. COLDWELL: How long did you say he had been superannuated?

The CHAIRMAN: About a year.

Mr. COLDWELL: He is in good health, is he?

The CHAIRMAN: Yes, he is in excellent health; and he has been assisting in all kinds of activities like war savings and victory loan drives and that sort of thing. He is reasonably familiar with the work of the Treasury and treasury controls, and he will be particularly helpful, I think, in subcommittee number 3, but will be available for the others.

Mr. BERCOVITCH: Carried.

Mr. CLEAVER: Is his employment to be at pleasure in point of time?

The CHAIRMAN: Yes, at the pleasure of the committee. All in favour?

The motion was agreed to.

Mr. HARRIS: What are the initials of Mr. Ross? What is his first name?

The CHAIRMAN: I have just forgotten. I have it in a memorandum, but have just forgotten his first name. He was a treasury officer over in the Department of Customs.

Mr. HARRIS: Outline his duties in a couple of words. What are his duties?

The CHAIRMAN: They are really very miscellaneous; I do not know how you would describe them in detail.

Mr. CLEAVER: Secretarial duties.

The CHAIRMAN: Really secretarial and investigational.

Mr. HARRIS: He will direct the committee in the right manner as was done Price Spreads by Mr. Sommerville?

The CHAIRMAN: Hardly. Mr. Sommerville was counsel. No, he will work under direction.

Mr. HARRIS: No counsel?

The CHAIRMAN: No counsel. He will be sort of investigational assistant.

Motion agreed to.

The CHAIRMAN: A motion to adjourn at the call of the chair is in order.

The committee adjourned at 10.12 a.m. to meet again at the call of the chair.

SESSION 1940-41

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 15

WEDNESDAY, AUGUST 20, 1941

THURSDAY, AUGUST 21, 1941

FRIDAY, AUGUST 22, 1941

Including

FOURTH, FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH AND
TENTH REPORTS TO THE HOUSE

OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MINUTES OF PROCEEDINGS

WEDNESDAY, August 20, 1941.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Hon. Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Coldwell, Fournier, (*Hull*), Gladstone, Golding, Graham, Hansell, Harris (*Manforth*), Macdonald, (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Reid, Ross, (*Moose Jaw*), Sissons, Thorson—20.

The Chairman announced that the meeting had been called for the purpose of receiving and considering the reports of the subcommittees.

On motion of Mr. Golding.

Resolved, That the committee follow the usual practice of sitting in camera during the consideration of the subcommittees' reports.

Mr. Harris expressed his regret at being unable to attend the whole sitting, but asked that he be allowed to make a few observations. He paid tribute to the members of subcommittee No. 2 with whom he had been associated in the inquiry, but expressed the opinion that the work of the subcommittee was far from completed and that the committee should not suspend its inquiry at the present time. He also expressed the conviction that great economies had resulted from the inquiry so far and that further economies would follow if the committee were to continue its inquiry.

Mr. Cleaver, Chairman of subcommittee No. 1, presented the First Report of the said subcommittee with respect to contracts with civilian Flying Clubs, Associations or Companies.

The Report having been considered in detail, and amended, it was stood over for redrafting and further consideration.

At 1 o'clock the committee adjourned until 2.30 p.m.

AFTERNOON SITTING

The committee resumed at 2.30 p.m.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Graham, Hansell, Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Thorson—19.

Mr. Cleaver presented the Second Report of subcommittee No. 1 with respect to Army, Navy and Air Force buildings, specifications and designs for the projects and inspection thereof during construction.

The report having been considered in detail, and amended, it was allowed to stand and over for redrafting.

Mr. Graham, Chairman of subcommittee No. 2, presented the First Report of the said subcommittee with respect to Medical, Dental and Hospital Services.

At 6 o'clock the committee adjourned until to-morrow, Thursday, 10.30 a.m.

R. ARSENAULT,
Clerk of the Committee

THURSDAY, August 21, 1941.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Honourable Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Cowell, Fournier (*Hull*), Gladstone, Golding, Graham, Hansell, Harris (*Danforth*), Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Reid, Ross (*Moncton*), Sissons, Thorson—20.

The committee resumed consideration of the First Report of Subcommittee No. 2 on "Medical, Dental and Hospital Services."

The Report having been considered and amended, Mr. Sissons moved that it be adopted as the Committee's Report to the House.

Motion carried on division.

Mr. Graham presented a second Report of Subcommittee No. 2 on "Supplies."

The said Report was considered in detail and amended, being finally set over for the re-drafting of the amended paragraphs.

Mr. Graham presented a Third Report of Subcommittee No. 3 "Salvage."

The said Report having been considered in detail and amended, Mr. Picard moved that it be adopted as the Report of the Main Committee. Motion carried on division.

It was suggested by the Chairman and agreed that the Vice-Chairman and the Chairmen of the subcommittees meet with the Clerk at 8 p.m. to discuss the Committee's general Report.

At 1.15 p.m. the Committee adjourned until 4 p.m.

AFTERNOON SITTING

The Committee resumed at 4 o'clock p.m., Mr. Bradette, Vice-Chairman, in the chair.

Mr. Graham submitted a redraft of paragraph 1, Section (3) Rationing Air Force, of the Report of Subcommittee No. 2 on "Supplies," the paragraph being adopted as amended.

Mr. Graham moved that Report No. 2 on "Supplies" of Subcommittee No. 2 as amended be adopted as the Committee's Report.

Motion carried on division.

The Committee reverted to the consideration of No. 1 Report of Subcommittee No. 1 respecting "contracts with civilian flying clubs, associations companies."

Mr. Cleaver submitted a redraft of paragraphs amended at previous sittings, the said paragraphs being adopted as amended.

Mr. Cleaver submitted Appendix I to the Report, being a draft of a new part V suggested for addition to the Dominion Companies Act.

On motion of Mr. Graham,—
Resolved,—That Appendix I be accepted as part of the Subcommittee's report.

Mr. Cleaver submitted Appendix II to the Report, being "suggestions for airport to be erected at No. 1 Air Observer School, Malton, for continuous overhaul of 24 Anson aircraft at present supplied to No. 1 Air Observer School."

On motion of Mr. Bercovitch,—
Resolved,—That Appendix II be accepted as part of the Subcommittee's report.

Mr. Reid moved that Report No. 1 as amended of Subcommittee No. 1 be adopted as the Committee's Report. Motion carried, Mr. Harris refraining from voting.

Mr. Cleaver submitted a redraft of Report No. 2 of Subcommittee No. 1 "Army, navy and air force buildings construction, specifications and designs for such projects and inspection thereof during construction."

On motion of Mr. Cleaver, the said Report as amended, was adopted as the Committee's Report, Mr. Harris refraining from voting.

(At this stage the Committee suspended its sittings for a few minutes).

The Committee resuming, Mr. Fournier presented the Report of Subcommittee No. 3 on "Financial Controls over army, navy and air force expenditures and on headquarters establishments in army, navy and air force."

At 6 o'clock the Committee adjourned until 10.30 a.m. to-morrow, Friday.

R. ARSENAULT,
Clerk of the Committee.

FRIDAY, August 22, 1941.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Hon. Mr. Thorson, presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Graham, Hansell, Harris (*Inverforth*), Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Reid, Thorson (*Moose Jaw*), Sissons, Thorson—20.

The Committee resumed consideration of the Report submitted by Subcommittee No. 3.

Mr. Cleaver moved that part of the report contained from page 24 to page 53 under the heading "Insight of the Evidence before Subcommittee No. 3" be accepted as having been read. Motion carried.

The Committee then proceeded to the consideration of Part II containing the Subcommittee's recommendations.

Recommendations Nos. 1 to 7 adopted.

Recommendation No. 8; the word "duties" substituted for the word "occupation" in second line.

Recommendation No. 9 adopted.

Recommendation No. 10 allowed to stand.

Recommendation No. 11 adopted.

Recommendation No. 12 allowed to stand.

Recommendation No. 13 adopted.

The Committee having reverted to the consideration of Recommendation No. 10, Mr. Harris moved that it be struck out. Motion carried on division.

Mr. McIlraith moved that the following be substituted for Recommendation No. 10, viz:—

"Consideration should be given to the afterwar use and/or disposal of all property, real or personal, acquired by the Crown for war purposes."

Motion carried.

The Committee reverted to the consideration of Recommendation No. 12.

Mr. Pottier moved that Recommendation No. 12 be struck out.

Motion lost on the following division; Yes, 7; Nays, 8.

Recommendation No. 12 carried on the same division.

Moved by Mr. Fournier that the Report of Subcommittee No. 3, as amended be adopted, as the Committee's Report.

Motion carried, Mr. Harris refraining from voting.

The Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

The Committee resumed at 2.30 p.m.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Cowell, Fournier (*Hull*), Gladstone, Golding, Graham, Hansell, Harcourt (*Danforth*), Macdonald (*Halifax*), McIlraith, O'Neill, Picard, Pottier, Ross (*Moose Jaw*), Sissons, Thorson—20.

Mr. Harris having requested that a verbatim report of the proceedings be taken, and that the official reporters be called in for this purpose, the Chairman ruled that the rule and practice of the House was to authorize the reporting of proceedings only when witnesses were to be heard.

Mr. Gladstone having requested permission to introduce a motion for the consideration of Recommendation No. 12 contained in Part II of the report submitted by Subcommittee No. 3, the Chairman ruled that a motion for consideration could be entertained only if notice had been given of the motion reconsider.

The Chairman read a draft of the Committee's proposed Fourth Report to the House.

Mr. Harris moved that the evidence taken by all subcommittees be printed.

The Chairman ruled the motion out of order.

Mr. Picard moved that the Minutes of Proceedings and Evidence of such meetings of Subcommittee No. 2, referred to in the Committee's Fourth Report as were not held in camera be printed, 500 copies in English and 200 copies in French. Motion carried on the following division: Yeas, 12; Nays, 1.

On Mr. Hansell's suggestion, it was agreed to amend the Committee's proposed Fourth Report by inserting a recommendation to the effect that the Committee be re-appointed to continue its inquiries at the next session.

On motion of Mr. Cleaver, the Committee's Fourth Report was adopted, amended, and the Chairman authorized to present the same to the House.

On motion of Mr. Golding, the Committee's Fifth Report was adopted, including the amended report of Subcommittee No. 1 on "Contracts with civilian engineering clubs, associations or companies." (Mr. Harris refraining from voting).

On motion of Mr. Golding, the Committee's Sixth Report was adopted, including the amended report of Subcommittee No. 1 on "Airports, aerodromes, air force buildings, construction, specifications and designs for such projects and inspection thereof during construction." (Mr. Harris refraining from voting.)

On motion of Mr. Cleaver, the Committee's Seventh Report was adopted, including the report of Subcommittee No. 2 on "Medical, Dental and Hospital Services."

On motion of Mr. Bercovitch, the Committee's Eighth Report was adopted, including the report of Subcommittee No. 2 on "Supplies."

On motion of Mr. Sissons, the Committee's Ninth Report was adopted, including the report of Subcommittee No. 2 on "Salvage."

On motion of Mr. Bradette, the Committee's Tenth Report was adopted, including the report of Subcommittee No. 3 on "Financial controls over army, navy and air force expenditures, and headquarters establishments in army, navy and air force."

On motion of Mr. Golding, the Chairman was authorized to present to the House the Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Reports of the Committee.

Mr. Picard moved:

That the Committee recommend to the Commissioners of Internal Economy that notwithstanding the provisions of Section 62 of the Civil Service Act there be paid by way of honorarium to the following persons, the sum of \$3 to each of the following reporters: J. Howe, D. R. Butt, R. A. Whitman, P. Burt and W. G. Clinton; the sum of \$250 to R. Arsenault, Clerk of the Committee; and the sum of \$200 to each of the following Clerks of Committee: W. Hill, A. Chassé and A. Plouffe.

Motion carried on division, Mr. Harris refraining from voting.

On motion of Mr. Hansell,—

Resolved,—That notice be given to the stenographers whose services were authorized by Resolutions of the Committee on July 7th and 8th, to the effect that their services will not be further required after Friday, August 29th, 1914.

On motion of Mr. Bradette,—

Resolved,—That notice be given to the dictaphone operators, whose services were authorized by Resolution of the Committee on July 7th, to the effect that their services will not be further required after Saturday, August 23rd.

On motion of Mr. Fournier,—

Resolved,—That notice be given Mr. J. Alexander Ross, whose employment was authorized by Resolution of the Committee on July 8th, to the effect that his services will not be further required after Saturday, August 23rd.

On motion of Mr. Fournier,—

Resolved,—That the existing Subcommittees be discharged.

Moved by Mr. Cleaver that the Committee adjourn to the call of the Chair.

Motion carried on division.

R. ARSENAULT,

Clerk of the Committee.

REPORTS TO THE HOUSE

FOURTH REPORT

November 3, 1941.

The Special Committee on War Expenditures begs leave to present the following as its

FOURTH REPORT

By Order of the House of Commons dated June 10, 1941, your Committee was directed to continue its inquiry notwithstanding the pending adjournment of the House. The House having adjourned on June 14, the Committee resumed its sittings on July 7 when an agenda subcommittee representative of all parties was appointed to prepare an agenda and report to the main Committee. The Agenda subcommittee recommended:

- (1) That a subcommittee be appointed to inquire into the following matters:
 - (a) Contracts with civilian flying clubs, associations or companies;
 - (b) Army, navy and air force buildings construction, specifications and designs for such projects and the inspection thereof during construction;
and that such subcommittee consist of Messrs. Cleaver (Chairman), Black, Diefenbaker, Golding, Pottier and Reid;
and that the quorum be (3).
- (2) That a subcommittee be appointed to inquire into the following matters:
 - (a) Medical, dental and hospitalization services in the army, navy and air force;
 - (b) Food and other supplies including miscellaneous services for the forces, the inspection and distribution thereof and the salvage of waste;
and that such subcommittee consist of Messrs. Graham (Chairman), Gladstone, Harris, Hansell, O'Neill, Picard and Sissons;
and that the quorum be (3).
- (3) That a subcommittee be appointed to inquire into the following matters;
 - (a) Financial controls over army, navy and air force expenditures;
 - (b) Headquarters establishments in army, navy and air force;
and that such subcommittee consist of Messrs. Fournier (Chairman), Abbott, Bercovitch, Bradette, Chevrier, Coldwell, Green, Macdonald, McIlraith and Ross;
and that the quorum be (4).
- (4) That each of the subcommittees do report their findings and recommendations to the committee;
- (5) That the Chairman or in his absence the Vice-Chairman be ex officio a member of all subcommittees.

The report of the Agenda subcommittee was adopted on July 8 and the committee adjourned to the call of the Chair. The subcommittees immediately proceeded with their respective inquiries and the following is a summary of the sittings held by each subcommittee and of the witnesses heard:

Subcommittee No. 1—29 sittings; 49 witnesses.

Subcommittee No. 2—29 sittings; 15 witnesses.

Subcommittee No. 3—25 sittings; 25 witnesses.

On August 20 your main Committee reconvened to receive the Reports of the subcommittees. These Reports were considered and adopted with amendments and are being submitted to the House in subsequent reports of your Committee.

In view of the importance and scope of the inquiry referred to your Committee, it is recommended that the inquiry be continued and that, for the said purpose, a Committee be appointed at the next Session.

Your Committee desires to express its sincere appreciation of the cooperation and help it obtained from all officers of the three arms of His Majesty's Forces in Ottawa and outside of Ottawa, and the Departmental Officials and other persons who were requested to appear before the subcommittees. It is also grateful for the assistance given by members of the Committee Branch, by the Committee Reporters and by the clerical and stenographic staff.

Your Committee transmits herewith the minutes of proceedings and evidence of your Committee as printed by the King's Printer.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

FIFTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 1 the following report on "*Contracts with civilian flying clubs, associations or companies*," which it has considered and adopted with amendments as its Fifth Report to the House.

REPORT (No. 1) OF SUBCOMMITTEE No. 1

This subcommittee was appointed on May 5, 1941, to inquire into the following matters:

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Airports, aerodromes and air force building construction, specifications and designs for such projects and inspection thereof during construction.

This subcommittee made an interim report to the main committee which was adopted as amended on June 3, 1941, and on the same day the subcommittee was dispensed with. This subcommittee was re-appointed with similar powers on June 4 and proceeded further with its work but made no further report before the adjournment of the House on June 14, 1941. The subcommittee, with some changes in personnel was, on July 8, 1941, directed to inquire into the following matters:

- (a) Contracts with civilian flying clubs, associations or companies;
- (b) Army, navy and air force building construction, specifications and designs for such projects and the inspection thereof during construction.

The subcommittee begs to report on findings and recommendations with respect to the contracts with certain flying clubs, associations or companies.

1. At the outbreak of war, in addition to the R.C.A.F. Canada had three different groups with some air experience:

- (a) Civilian flying clubs;
- (b) Privately owned civilian air transportation companies;
- (c) The group in the Department of Transport who had organized Trans-Canada Airways.

These different groups were assigned important tasks in connection with the expansion of R.C.A.F. facilities and the organization of the British Commonwealth Air Training Plan.

Elementary Flying Training Schools

2. All Elementary Flying Training Schools (with only one exception, being the school at Cap-de-la-Madeleine) are operated by companies especially incorporated for the purpose by the then existing flying clubs. These flying clubs were organized in 1927 and 1928 under the inspiration of the civil aviation branch of the Department of National Defence and, subsequently, that branch was transferred to the Department of Transport. Germany was prohibited, under the provisions of the Treaty of Versailles from organizing a military air force but in reality did this under the guise of civilian training schools. The flying club movement in Canada started after this action on the part of Germany. The magnitude of the civilian air training scheme in Germany can best be illustrated by the fact that for some years prior to the outbreak of war she was sustaining trainee casualties as high as one thousand in one year through flying training accidents. Under the Canadian scheme 26 clubs were organized of which 22 were still in existence at the outbreak of war.

3. Under the British Commonwealth Air Training Plan there are 22 Elementary Flying Training Schools in Canada, of which four are double schools. These schools are operated by joint stock companies incorporated by federal charters. The plan was to raise \$35,000 of capital by the sale of preferred stock restricted to a maximum dividend of 5 per cent annually and that the common stock would be held by the flying club sponsoring the school. In some instances the money was made available for this purpose without any dividends or interest by public-spirited citizens and companies. The intention of the plan was that after payment of 5 per cent on \$35,000 of preferred stock any profits which should accrue from the operation of the elementary flying training schools would eventually be used by these flying clubs after the war to enable them to sponsor civilian flying and generally to give leadership to civil aviation.

4. The subcommittee has examined the letters patent, by-laws and minutes of shareholders' and directors' meetings of many of the flying clubs sponsoring the incorporation of elementary flying training companies, as well as the letters patent, by-laws and minutes of shareholders' and directors' meetings of elementary flying training companies. While there was a common practice followed in regard to the incorporation of the flying training companies the subcommittee finds considerable variation in the formation of flying clubs and in the functioning of flying training companies. The subcommittee finds that in every instance all of these clubs and companies are devoting their entire effort to the war training work. They are highly efficient and are carrying on their task without any thought of profits to the company or to private individuals; but the subcommittee also finds that under the great pressure of war work sufficient care has not been taken to safeguard the public interest as to what may happen in regard to profits after the war and when the war incentive will have ceased to exist.

5. The sub-committee has fully canvassed the problem as to what would be the best means of securing proper safeguards controlling future action with respect to future use of profits and recommends that all of the common stock of all elementary flying training companies should be held in trust for the flying clubs sponsoring the companies, and that in no instance should any individual be permitted to hold the beneficial interest of any common stock other than the qualifying shares of directors and that a declaration of trust should be taken with respect to these shares. The sub-committee further recommends that new federal charters should be taken out by all flying clubs sponsoring elementary

flying training schools, and that these newly-formed clubs should take over all assets of the existing clubs, whether incorporated under provincial charters or not. The sub-committee recommends that these new charters incorporating flying clubs should be uniform and should contain provisions prohibiting any private individual from receiving any payment by way of director's fees, dividends, distribution of assets in the event of winding up or otherwise and should further provide that in the event of the winding up of any flying club all its assets shall escheat to the Crown. The sub-committee further recommends that great care should be taken in respect to the internal management of the clubs with respect to voting rights of members and associate members. Attached as Appendix (i) to this report is a draft of a new part which the sub-committee recommends should be added to the Dominion Companies Act at the next session of the House to permit the incorporation of flying clubs by uniform federal charters implementing the above recommendations.

6. The companies operating Elementary Flying Training Schools are doing so under an agreement, the terms of which were negotiated after many conferences with the Canadian Flying Club Association. In the first instance tenders were called for, but the resulting tenders clearly indicated that the awarding of training contracts by competitive tender would be unsatisfactory. Under the present contract the Crown supplies the site of the school and all necessary buildings and equipment. The training company furnishes all management and operating personnel excepting a small supervisory Air Force personnel resident at the school to maintain proper discipline of the trainees and to see that the syllabus of training is adhered to. All of the instructors and the operating and flying personnel are under the direction of the manager of the company, who has full responsibility for the operation of the school. This is as it should be. The school company is paid on the following basis:

- (a) *Management.* This item includes the salary of the Manager, Secretary-Treasurer, office staff and all items of management. This payment is a fixed amount of \$1,400.00 per lunar month. Any saving effected through the cost of management being less than \$1,400.00 is profit to the company and should the management cost exceed \$1,400.00 the loss must be borne by the company.
- (b) *Operation and Maintenance.* This item includes the salaries of all instructors, instructor pilots, engineers, electricians, mechanics, labourers, etc., and also includes cost of all spare parts and material used in connection with the maintenance of the aeroplanes. This item also includes heat, light, insurance, etc. The agreement calls for the payment of a monthly target price, which in the first agreement was \$16,000.00. The agreement provides for the revision of the target price to compensate for any changes made from time to time in the training syllabus and further provides that every 24 weeks the target price will be revised in the light of existing costs. The agreement further provides that any balance on hand in this account at the conclusion of the contract will be divided, 75 per cent to the Crown and 25 per cent as profit to the company. The provision made for a revision of the target price is to empower the department to control at all times the size of the balance in this account. As an indication of the manner in which this power to revise the monthly target price is operating we find that already, as to some of the schools where surpluses have been built up in this account, the target price has been revised to an amount which has resulted in a reduction of surplus in some instances. The sub-committee finds that some misunderstanding has arisen in some of the companies with respect to this item and that some of them, in their financial balance sheets, have been showing 25 per cent surplus in this account as an earned profit, but believes that this error is no longer being made. The sub-

committee considered making a recommendation that the profit feature of this item, at the conclusion of the contract, should be eliminated, but after hearing considerable evidence with respect to it does not recommend that any change should be made. The contract in its present form furnishes an incentive for thrift, and the presence of a surplus in this account is a measure of assurance or protection to the company against loss.

- (c) *Flying Hours.* This item covers payments for three separate items. A monthly target price is set up to pay for cost of gas and oil. Any surplus earned as to gas and oil is the property of the crown and there is no profit feature to the company in regard to this item in any way.

The next item is the payment of fifty cents per flying hour profit to the company for every training hour flown during the month. This item is definitely fixed per hour but fluctuates from month to month depending upon the number of training hours flown.

The third item under this heading is fifty cents per hour for crash reserve. Crash reserve is a fund set up to insure the company against loss arising under paragraph 9 of the agreement. Paragraph 9 of the agreement provides the various amounts which are to be paid by the company in the event of loss of aeroplanes and engines destroyed. The amount is greater when caused by the negligence of employees. Any balance on hand in the crash reserve account at the end of the contract reverts to the Crown.

- (d) *Messing.* The sum of 90 cents per man per day is paid to the training company for messing. As no provision is made elsewhere in the contract for cost of the caretaking of quarters and for laundry, the training companies are paying for these services out of the amount allowed for messing, and in most instances the messing is sublet to a firm of reliable caterers. There is no profit feature in this item to the company, and at some of the schools a slight loss is incurred which is paid out of company profits. In visiting the different training schools the sub-committee has always made careful inspections of the kitchens and mess halls as well as careful inquiries as to the type of meals served. In every instance the kitchens were well equipped and scrupulously clean and the meals served are all that could be desired. The sub-committee checked the cost of meals furnished at these air training schools with the meals served in the army. The cost in the air training schools would appear at first glance to be higher, but when the fact is considered that in the army camps all kitchen help are on army pay there is not actually as great a difference in cost as the bare figures would indicate. As the standard of physical fitness in the air force should be maintained at the highest possible level and any decrease in the allowance for messing would undoubtedly be reflected in a reduction in the quality of the rations the sub-committee would not recommend that any change should be made in the amount fixed by the contracts for this item.

7. In regard to profits to be earned by the training companies under the agreement, the amount of profits which would accrue under the agreement was determined as accurately as was possible at the time but there was no previous experience on which to base an estimate. The sub-committee has carefully checked the profits which are being earned and found them to be excessive due to increased flying hours necessitated by increase in pupil intake. The

companies operating Elementary Flying Training Schools voluntarily offered to reduce their flying hour profit from 50 cents per flying hour to 25 cents per flying hour. The sub-committee has already in its interim report recommended that this offer should be accepted and expressed its appreciation to the training companies for this commendable attitude on their part. The sub-committee has already recommended that all profits should be invested in non-interest bearing Dominion of Canada bonds so that all profits earned will be available for war purposes until the end of the war. Most of the companies are already following this practice. The sub-committee has already recommended that the agreement should be amended making this compulsory. If this is done and if all of the common stock of the training companies is held in trust for the flying clubs sponsoring the training company with federal charters in the terms recommended in this report then the question of profits is adequately protected.

8. The sub-committee finds that the Elementary Flying Training Schools are being very efficiently managed. The operating cost was originally estimated at \$982.31 per pupil. Good management coupled with a marked degree of *esprit de corps* among the employees has reduced this amount to an average cost in all of these Elementary Flying Training Schools of \$864.35 as of March 31, 1941. It is only fair to state that some schools are attaining a lower cost than others and that there is constant competition among the schools. Students in these schools receive their first pilot training, the training course at these schools is for a twelve week period. With something over 20 million miles flown casualties in these schools are less than one student per million miles flown.

Air Observer Schools

9. All Air Observer Schools are operated by companies especially incorporated for the purpose and sponsored by existing companies carrying on civilian flying operations. In every instance they are either wholly owned subsidiaries of existing companies carrying on civil flying operations or if not wholly owned subsidiaries the capital of the new training companies is held by shareholders of existing civilian companies. These parent companies were pioneers in civil aviation in Canada. For years they have been operating branch lines in Northern Canada to serve the mining industry in localities where rail transportation is not available. Operating with limited financial backing and under all types of weather conditions and from the very nature of their work compelled to use hazardous terminal locations these companies through the years built up flying experience which is now of almost invaluable service to the branch of the British Commonwealth Air Training Plan which has been assigned to them.

Under the British Commonwealth Air Training Plan there are ten Air Observer Schools. The Training Companies especially organized for the purpose of operating Air Observer Schools are required to raise \$50,000.00. The stock issued for this capital is restricted to a maximum dividend of 5 per cent annually and all other profits, if any, must be held undistributed until the termination of the contract.

10. The companies operating the Air Observer Schools are doing so under an agreement, the terms of which were arrived at by negotiation and not by tender, the reason for this having been already discussed fully in paragraph 6 of this report. Contracts with all of the companies are similar in their terms and provide that the Crown is to furnish the site of the school and all necessary buildings and equipment. The training company furnishes all management and operating personnel excepting a supervisory Air Force personnel resident

at the school to maintain proper discipline of the trainees, to provide the major part of the instruction work for the trainees and to see that the syllabus of training is adhered to. The main function of the school management in this instance is to maintain the serviceability of the planes and to fly them. At these schools the trainees are taught to navigate the planes, not to fly them. The training flights cover a large area of territory. The pilot flies the plane on the different courses indicated by the student navigators and when the student loses his way, through errors in plotting his various courses the school pilot must be able to at all times know his location and be able to bring the plane home. All of the ground maintenance crew and the pilots as well as the general management of the schools are under the direction of the management of the company. All of the instructors are Air Force personnel.

11. The school company is paid on the following basis:—

- (a) *Management.* This item includes the salary of the manager, Secretary Treasurer, office staff and all items of management. This payment is a fixed amount of \$2,700 per month. Any saving effected through the cost of management being less than this amount is profit to the company and should the management cost in any month exceed this amount the loss must be borne by the company.
- (b) *Operation and Maintenance.* This item includes the salaries of all pilots, engineers, electricians, mechanics, labourers, etc., and also includes cost of all spare parts and material used in connection with the maintenance of the planes. This item also includes heat, light, insurance, etc. The agreement calls for the payment of a monthly target price which in the first agreements was \$17,500. The agreement provides for the revision of the target price to compensate for any changes made from time to time in the training syllabus and further provides that every 24 weeks the target price will be revised in the light of existing costs. The agreement further provides that any balance on hand in this account at the conclusion of the contract will be divided, 75 per cent to the Crown and 25 per cent as profit to the company. The provision made for a revision of the target price is to empower the department to control at all times the size of the balance in this account. As an indication of the manner in which this power to revise the monthly target price is operating we find that already as to some of the schools, where surpluses have been built up in this account, the target price has been revised to an amount which has resulted in a reduction of surplus in some instances. The sub-committee finds that some misunderstanding has arisen in some of the companies with respect to this item and that some of them in their financial balance sheets have been showing 25 per cent of the surplus in this account as an earned profit but believes that this error is no longer being made. The sub-committee considered making a recommendation that the profit feature of this item, at the conclusion of the contract, should be eliminated, but after hearing considerable evidence with respect to it does not recommend that any change should be made. The contract in its present form furnishes an incentive for thrift and the presence of a surplus in this account is a measure of assurance of protection to the company against loss.
- (c) *Flying Hours.* This item covers payments for three separate items. A monthly target price is set up to pay for cost of gas and oil. Any surplus earned as to gas and oil is the property of the Crown and

there is no profit feature to the company in regard to this item in any way. The next item is the payment of \$1.00 per hour to the company for every training hour flown during the month. This item is definitely fixed per hour but fluctuates from month to month depending upon the number of training hours flown. The third item under this heading is 50 cents per hour for crash reserve. Crash reserve is a fund set up to insure the company against the loss arising under paragraph 9 of the agreement. Paragraph 9 of the agreement provides the various amounts which are to be paid by the company in the event of the loss of planes and engines. The amount is greater when caused by the negligence of employees. Any balance on hand in the crash reserve account at the end of the contract reverts to the Crown.

- (d) *Messing.* The amount paid for messing is the same as in Elementary Flying Training Schools. Comments already made in this report under that heading when dealing with Elementary Flying Training Schools apply with equal force to the Air Observer Schools.

12. The subcommittee has carefully considered the question of profits which will be earned by the operating companies. Partly on account of highly efficient management and partly on account of the pupil intake as fixed by the contract being increased without proportionate increase in management costs it was found that substantial profits were being earned. The following examples of lunar monthly profits from one of the schools show an average profit of \$1,112.00:

Example No. 1	\$1,176.00
" No. 2	\$1,340.00
" No. 3	\$ 819.00

This would indicate a yearly profit from that school under favourable conditions of \$14,456.00. In this instance the profit is being earned by private individuals and while the contract restricts the declaration of dividends to 5% annually yet at the conclusion of the contracts there would then be a distribution of accumulated profits. The subcommittee fully appreciates the fact that the Air Observer Schools are being very efficiently managed and that these schools are performing an important war task and also appreciates the fact that measures of economy should not be permitted to slow up our war effort but as the actual circumstances have altered sharply since the contract was first entered into the subcommittee decided that a conference should be called of executive officers representing all of the schools, that the facts should be frankly placed before them and their cooperation invited. The conference was held on June 4 and as a result the operating companies have all voluntarily offered to agree to a reduction of what is described in the agreement as flying hour profits from \$1.00 per flying hour to 35c per flying hour. The subcommittee recommends that the contracts should be amended accordingly and expresses its appreciation for this commendable attitude on their part. The subcommittee fully appreciates the fact that even after this reduction in profits is made, efficiently operated training companies will still earn net profits of approximately \$5,000.00 annually after payment of taxes at existing rates, but believes that under the special circumstances surrounding these training agreements the recognized yardstick of measuring profits by their relation to capital employed is not an accurate system to use. In this instance the department is not purchasing goods or commodities but, on the contrary, is purchasing skill and experience. As to all existing professions, tariffs of fees have been established by practice but there are no tariffs available to guide your subcommittee in reaching a correct decision with respect to the present problem. In the light of all of the surrounding circumstances the proposed change will satisfactorily meet this problem.

13. The subcommittee finds that the Air Observer Training Schools are being very efficiently managed. The operating cost was originally estimated at \$1,653.57 per pupil. The actual operating cost as of March 31, 1941, is \$1,001.27 per pupil. With something over ten million miles flown to date these schools have had no casualties of either trainees or operating personnel.

ELEMENTARY FLYING TRAINING SCHOOLS AND AIR OBSERVER SCHOOLS

14. *Spare Parts*

The shortage of spare parts and repair material has been a very acute problem. While substantial improvement has occurred this problem is still an important one and has been carefully studied by the subcommittee.

For the purpose of the supply of spare parts to Air Training Schools operated by civilian companies, as well as the service schools, supply depots have been established in each of the four Air Training Commands. Each of these supply depots requires to carry a stock of something over one-half million different parts. As each school is opened it is presumed to be furnished with its full quota of spare parts for planes, engines, etc., something over 2,000 parts in number. As replacements become necessary under paragraph 8 of the contract the training companies *must* procure the required parts from the Crown. This is accomplished by the training school forwarding a requisition to the nearest supply depot. If in stock the order is filled and the school receiving the shipment is billed for its value. The supply depots simply receive and distribute parts. They do not handle any money.

In addition to the supply depots operated in each of the Commands a master control depot is operated at Montreal to pro rate among the different Commands a proper distribution of parts coming from Great Britain.

Under the British Commonwealth Air Training Plan Great Britain's contribution was the supply of a considerable number of planes and spare parts—to provide material rather than funds. As a consequence of events in Europe which occurred subsequent to the agreement—the fall of France—the heavy air attacks on British industries and the Battle of the Atlantic deliveries from England were temporarily curtailed thus compelling our supply depots to find other sources of supply and further the problem was accentuated by the speeding up of the British Commonwealth Air Training Plan which resulted in more than double the planned number of training schools being opened in the last six months of 1940. These two sets of circumstances created a very serious bottleneck for our supply depots and resulted in a temporary shortage of repair parts in every training school in Canada. Steps were immediately taken to meet the problem and alternate sources of supply were arranged for as quickly as possible. As a result of our investigations the subcommittee finds that while many spare parts of both planes and engines must be obtained from plane and engine manufacturers on account of the need for exact accuracy in both design and strength there are many plane and engine parts which could be obtained locally from the many small machine shops in existence across Canada and finds that as to these parts a substantial saving can be effected through the use of this secondary source of supply. The subcommittee also finds that some of the schools are making this type of spare parts in the machine shops located at the schools. The subcommittee recommends that the possibilities of both of these sources of secondary supply should be carefully studied and that these sources of secondary supply should be expanded as far as is practical. The subcommittee also finds that many of the individual schools have perfected various improved methods in repair and maintenance work, which if shared with other schools would be of advantage to the whole plan. In order to secure a pooling of air engineering experience among the different schools and for the purpose of

improving the problem of shortage of spare parts the subcommittee further recommends that a supervisory air engineer should be appointed to have general supervision of all of the civilian operated air training schools. The intention is that this supervisory officer would periodically visit all the schools to study improved methods and make these methods available to all schools and this supervisory engineer would also act in a liaison capacity between the Air Member for Supply and the schools. The subcommittee believes he should be a civilian.

The subcommittee recommends that when a requisition is received for parts which the supply depot is unable to fill immediately the requisitioning school should be at once advised of the approximate date the parts can be made available by the depot and if the delay is serious to the operation of the school its management should then have the right to purchase from any other available source.

15. *Overhaul of Aeroplanes*

Under the present set up when a plane has been in use a given number of hours, which varies in time depending upon the type of plane, the plane is sent by the school to the manufacturer or to a repair depot for a major overhaul. This system results in serious delays in some instances. The subcommittee finds that the civilian companies operating Air Observer Schools have had years of experience in this type of work and have qualified mechanical personnel capable of doing the work. Some tests have already been made and as a result it has been found that these companies are capable of performing such work at a greatly reduced cost compared with cost under the existing practice. The subcommittee recommends that sufficient building and machine shop accommodation should be furnished at all of the Air Observer Schools to permit the continuous overhauling of its planes. Attached as appendix (ii) to this report is a detailed submission giving complete particulars furnished by Dominion Skyways Training, Limited.

16. *Property Maintenance*

Under the contract property, buildings and equipment of an approximate value of \$800,000.00 are handed over to the care of the training companies operating Elementary Flying Training Schools and of the approximate value of \$1,600,000.00 to training companies operating Air Observer Schools and under paragraph 4 of the agreement the company agrees that it will, at the expiration of the contract return all of this property, buildings and equipment to the Crown in a condition satisfactory to the Minister (meaning thereby the Minister of National Defence for Air) and further agrees to make good any loss occasioned by other than "reasonable wear and tear." Company executives have expressed grave concern with respect to the potential liability incurred by this section which might mean serious loss to the company particularly arising out of the construction which might be placed by the Minister on the meaning of the words "reasonable wear and tear." It has been suggested that an inspection should be made periodically so that the training companies would at all times know the extent of their liability under paragraph 4 of the contract and so that a guiding precedent for the interpretation which will be given by the Minister to the words "reasonable wear and tear" would be definitely established. The subcommittee recommends that this should be done.

17. *Transportation*

Owing to the fact that some of the training schools are located a considerable distance from the nearest urban centre from which a substantial part of the school employees are secured, the cost of transportation to these civilian

employees is creating an unfair inequality as between schools and this requires special treatment. The subcommittee recommends that in every instance where a training school is located more than five miles from the nearest urban centre provision should be made in the contract permitting payment of actual daily transportation costs to employees, but not to exceed five cents per mile.

18. Insurance

All of the companies operating Elementary Flying Training Schools and Air Observer Schools carry accident insurance for the protection of all their civilian pilots and employees. Efforts were made to obtain Workmen's Compensation coverage of this risk, but as Workmen's Compensation Boards would accept the risk of ground employees only, and as lower rates were offered by insurance companies, policies were taken out with these companies. The cost of these policies is running about \$1,000.00 per month per school.

On account of the diversified nature of the risk and in view of the fact that the Dominion of Canada is now, in almost every instance, assuming its own insurable risks, the subcommittee recommends that the present insurance policies should be discontinued and that a fund should be established by payments into the fund of an adequate amount per flying hour, and that in the event of accidents occurring losses should be paid out of this fund at the same rate as the present losses are now paid. The subcommittee believes that the various Provincial Workmen's Compensation Boards would, at nominal cost, supply such adjusting services as would be necessary in each province to determine the amount of loss which should be paid. Past experience would indicate that this proposed change should effect an annual saving of at least a quarter of a million dollars.

19. Gasoline and Oil

In regard to gasoline and oil, the training companies are buying aviation gasoline at $2\frac{1}{2}$ cents per gallon less than the price being charged to any purchaser other than the Government. Engine oil is being purchased at 9 cents per gallon less than the price being paid by any purchaser other than the Government. But if the gasoline and oil used at the Elementary Flying Training Schools and the Air Observer Schools could be purchased by the Department of Munitions and Supply instead of being purchased by the training companies a further saving of one cent per gallon on gasoline and three cents per gallon on oil or a total saving of about \$125,000 annually would be effected so long as this system could be inaugurated without any additional accounting. The subcommittee recommends that this should be done.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

APPENDIX (i) TO REPORT (No. 1) OF SUBCOMMITTEE No. 1

PART V

204. In this part,

- (a) "flying club" means a corporation incorporated by letters patent under this part without share capital;
- (b) "member" means every person who has paid an entrance fee of \$25 and has been accepted by the directors as a member of the club and who is not in arrears with respect to the payment of such annual dues as may be fixed from time to time by the directors. A member shall have full voting power;

- (c) "flying member" means every person who has been accepted as a flying member of the club by the directors and who has paid such entrance fee as may be fixed from time to time by the directors and who is not in arrears with respect to the payment of such fees as may be fixed from time to time by the directors. A "flying member" shall have all of the privileges of the club, including that of flying instruction and the use of aircraft but shall not have any voting power;
- (d) "life member" means every person who has made a grant of at least \$100 to the club and who has been appointed by the directors as a life member or who has been appointed a life member by the Board of Directors for services rendered to the club. Life members shall not exceed five in number and shall have full voting power.

205. (1) The Secretary of State may by letters patent under his seal of office grant a charter to any number of persons, not less than three, who apply therefor, constituting such persons and others, who have become subscribers to the memorandum of agreement, hereinafter mentioned, and who thereafter become members of the corporation thereby created, a body corporate and politic, without share capital, called a flying club, for the purpose of carrying on in the Province of and in any or all of the Provinces of Canada, without pecuniary gain to its members, the giving of all forms of flying training both ground and air and the providing of facilities for flying training in lighter-than-air aircraft and heavier-than-air aircraft, including gliders.

(2) Nothing in this part shall be construed to authorize the corporation to issue any note payable to the bearer thereof or any promissory note intended to be circulated as money or as the note of a bank, or to engage in the business of banking or insurance. R.S. c. 27, s. 5 (3).

206. (1) The applicants for such letters patent, who must be of the full age of twenty-one years, shall file in the Department of the Secretary of State, an application in accordance as nearly as may be with Form three in the schedule to this Act, setting forth the following particulars:—

- (a) the proposed name of the corporation;
- (b) the purposes for which its incorporation is sought;
- (c) the place within Canada where the head office of the corporation is to be situate;
- (d) the names in full and the address and calling of each of the applicants;
- (e) the names of the applicants, not less than three, who are to be the first directors of the corporation.

(2) The application shall be accompanied by a memorandum of agreement in duplicate in accordance as nearly as may be with Form four in the schedule to this Act, signed and sealed by the applicants, setting forth the by-laws of the proposed corporation, and more particularly setting forth by-laws not inconsistent with the provisions of this Part upon the following matters:—

- (a) conditions of membership;
- (b) mode of holding meetings, provision for quorum, rights of voting and of enacting by-laws;
- (c) mode of repealing or amending by-laws with special provision that the repeal or amendment of by-laws not embodied in the letters patent shall not be enforced or acted upon until the approval of the Minister of National Defence for Air and of the Secretary of State has been obtained;
- (d) appointment and removal of directors, trustees, committees and officers, and their respective powers;

- (e) audit of accounts and appointment of auditors;
- (f) whether or how members may withdraw from the corporation;
- (g) custody of the corporate seal and certifying of documents issued by the corporation.

(3) The applicants may ask to have embodied in the letters patent any provision which could under this Part be contained in any by-law of the corporation. R.S., c. 27, s. 8, am.

207. No director shall receive any payment by way of director's fees but directors may be paid actual out of pocket expenses.

208. (1) The following provisions of Part I of this Act shall apply to corporations to which this Part applies, namely, sections 3, 4, 6, 8, 9, 10, 11, 13, 14 except paragraph (t) of subsection one, subsections one, three, four and five of section 17, sections 18, 19, 20, 21, 24, 25, 26, 27, 28, 40, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 91, 95, 96, 97, 100, paragraphs (a) to (d), both inclusive, of subsection one of section 103, sections 106, 107, 109, 110, 111, 119, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137 and 138. R.S., c. 27, s. 8 (6), am.

(2) The Secretary of State may appoint one or more competent inspectors to investigate the affairs of the flying club and to report thereon as he may direct upon the application of such proportion of the members as in the opinion of the Secretary of State warrants the application and thereupon subsections two to eight inclusive of section 108 of Part I of this Act shall apply.

(3) Section 121 of Part I of this Act shall be applicable *mutatis mutandis* to corporations to which this Part applies with respect to a summary setting out the particulars referred to in paragraphs (a), (b), (c), (d), (n), (o), (p), and (r) of subsection one of said section and to directors, managers, trustees and other officers of such corporations. R.S., c. 27, s. 137 (13), am.

(4) In construing the sections of Part I of this Act made applicable to corporations under this Part,

- (a) the words "the company" or "a company" mean a corporation to which this Part applies;
- (b) the word "shareholder" means a member and a life member of such corporation but shall not mean a flying member. R.S., c. 27, s. 8 (7), am.

209. In the event of the winding up of the company or in the event of the club ceasing its activities the Secretary of State shall have the right to take possession of all of the assets of the flying club, both real and personal, and the same shall become the property of the Crown subject only to the payment of any existing debts or liabilities of the flying club but this liability shall not exceed the actual value of the assets received by the Minister.

APPENDIX (ii) TO REPORT NO. 1 OF SUBCOMMITTEE NO. 1

Suggestions for shop to be erected at No. 1 Air Observer School, Malton, for continuous overhaul of 24 Anson aircraft at present supplied to No. 1 Air Observer School.

The shop should be of benefit to the Department of National Defence and the operators of No. 1 Air Observer School as apart from the general shortage of aircraft overhaul facilities, Dominion Skyways (Training) Limited would be enabled to anticipate overhaul requirements at all times being familiar with

the history and present condition of their aircraft. It is also considered that aircraft could be returned to service in a shorter time than would otherwise be possible.

The suggestion covers the continuous overhaul, apart from aircraft requiring repairs necessitated by a major crash, of the 24 Anson aircraft at present supplied to No. 1 Air Observer School, these aircraft to remain at the school for the duration of the operation contract (3 years, in which time approximately 45,000 hours will be flown).

The suggestion is based on an average annual flying time of 15,000 hours and should 1,080 flying hours be maintained as maximum overhaul time for Anson aircraft it would be necessary to overhaul one aircraft each 26 days, or 14 aircraft per annum.

The following suggestions are put forward for consideration:—

1. The work could be carried out on a non-profit basis by an organization completely separate from Dominion Skyways (Training) Limited (say Dominion Skyways Limited).

2. Parts for replacement during overhaul would have to be made available and held as stock.

3. A complete set of Anson aircraft drawings would be required.

4. Light, heat and air could be obtained at cost from Dominion Skyways (Training) Limited.

BUILDING

One shop would be required for this work, approximate size being 60 feet by 70 feet with an opening at one end of at least 58 feet and a 17-foot ceiling.

This building would house one Anson aircraft and the various tradesmen, along with their equipment.

It is felt that a small office and stores could be built into the rear section of this building. This stores would be for miscellaneous items only as all major items would be drawn from Dominion Skyways (Training) Limited main stores.

This building should be located a reasonable distance from main hangar.

PERSONNEL

Part time of Maintenance Superintendent of Dominion Skyways (Training) Limited to act in supervisory capacity.

Clerk to look after all accounts and the issuance of all Storehouse orders and keeping of a complete set of records of all work carried out.

One Aircraft Foreman.

One Woodworker (Patternmaker).

One Metal Worker.

One Dope and Fabric Man.

Four Helpers.

One Machinist.

Payroll of the above would be in the neighbourhood of \$1,750 per month.

The only expense additional to the above would be depreciation charges and a small amount for maintenance of shop equipment.

INSPECTION AND TYPE OF WORK TO BE CARRIED OUT

The aircraft should have the regular R.C.A.F.-A.I.D. inspection after aircraft is suitably stripped.

A work order made out prior to this inspection showing work which we deemed necessary should be signed by the inspecting officer.

The aircraft would again be inspected at completion, at which time the inspecting officer would sign that the work had been satisfactorily carried out.

We would suggest that the overhauls be broken down into two or three different types, i.e., one machine might require complete stripping of covering, re-priming of fuselage, etc., while another might only need the fabric rejuvenated.

- All types of overhaul would include the usual overhaul work such as:—
- The removal of gas and oil tanks for test and repair.
- The replacement of all instruments with complete set of reconditioned ones.
- The repair and replacement of all necessary cowling.
- Complete overhaul of undercarriage.
- Replacement of all necessary gas and oil lines.
- Replacement of necessary control cables and testing of control chains.
- Replacement of main and Tachometer generators and cut-outs with overhauled units.
- Replacing all necessary plywood on wings and tail planes.
- Carry out necessary modifications.

EQUIPMENT

<i>Nomenclature</i>	<i>Quantity</i>
Weaver Jacks: Comprised of the following:—	
Wing Jacks AC-40	2
Tail Jack AC-20	1
Wing Trestles AC-10	2
Tail Trestles AC-5	1
Wing Cradles AC-15	2
Extension AC-4030 for AC-40	2
Adapter AC-35	1
Anson Wing Cradle AC-15	1
Lathe—South Bend: Large	1
Carpenter's Bench: c/w two wood vices	1
Metal Bench: c/w two steel vices	1
Velders Outfit: (\$126.59); c/w seven tips; two regulators; twenty feet of hose and one W-15 torch	1
Air Line installed from Main Hangar	1
Exhaust Fans for Doping (24")	2
DeVilbiss Spray Equipment	1 set
Block and Tackles:	
Four ton block for extremely heavy work	1
One ton block for removing engines and general use	1
Both with sufficient lift to reach from hangar floor to roof.	
Overhead Tracking:	
Tracks twenty feet long, conveniently located in hangars, using nine inch structural No. 1 beam for track. Two roller bearing steel plate trolleys for the above track. NOTE: Hangar roof should be reinforced at these points for lifting ..	2
Electric Drill; c/w Pedestal stand, Black & Decker— $\frac{3}{4}$ utility drill. This would serve the purpose of a drill press when on stand and would be plenty large enough to handle largest work	1

Code No. 45—Drill	
Code No. 127—Pedestal Stand	
Hand Tools to the amount of \$500.00	
First Aid Kit (Factory Size)	1
Desk	1
Typewriter	1

SIXTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 1 the following report on "*Airports, aerodromes and air force buildings construction, specifications and designs for such projects and inspection thereof during construction,*" which it has considered and adopted with amendments as its Sixth Report to the House.

REPORT (NO. 2) OF SUBCOMMITTEE NO. 1

This subcommittee was appointed on May 5th and was directed, inter alia, to inquire into airports, aerodromes and air force building construction, specifications and designs for such projects and inspection thereof during construction. On July 8th the subcommittee was re-appointed with some change in personnel and its scope of inquiry was extended to Army and Navy buildings.

The subcommittee begs to give its first report of findings and recommendations with respect to these subjects.

Airports, Aerodromes, etc.

1. The task of locating and purchasing sites for 150 projects and that of building aerodromes and airport runways was assigned to the Department of Transport. By Order in Council dated November 9th, 1939, the Minister of Transport was directed to undertake:

- (a) The selection of suitable aerodrome sites, subject to approval of suitability by the technical officers of the Department of National Defence.
- (b) The survey of the sites to verify suitability for economical development.
- (c) The preparation of development plans and specifications subject to approval of the technical officers of the Department of National Defence.
- (d) The acquisition of the necessary properties involved.
- (e) The development and construction of the said aerodromes, excepting the construction of buildings and hangars.

The procedure followed in regard to the acquisition of aerodrome sites is that the Department of National Defence for Air sends a requisition to the Department of Transport indicating the type of site required, the approximate size and the Air Command in which it is to be located. The Department of Transport then proceeds with surveys, unless the need for the proposed site has already been anticipated and the necessary information compiled. A report is made by the Department of Transport to the Aerodrome Committee of the Department of National Defence for Air giving complete particulars of several alternate sites, usually at least three. The report includes information as to the value of the land, the grade of the site, the nature of the soil and the sub-soil, the nature of timber if the site is wooded, proposed water supply, proposed

sewage disposal, apparent drainage requirements, nearest location of crushed rock or gravel and sand supplies, electricity, telephone, telegraph, transportation facilities and other necessary information. This report is studied by the Aerodrome Committee in the Department of National Defence for Air. The decision of the site to be used rests with this committee. As to Bombing and Gunnery Schools the amount of acreage required for firing ranges for the use of these schools is so large that the schools are usually located near a lake or a large area of waste land and as to these schools many of the requirements above mentioned as to water supply, electrical power and the like are only of secondary importance, and in some instances substantial expenditures have been necessary to make these services available for sites chosen on account of their proximity to lakes.

Some idea of the magnitude of the program and of Canada's good fortune in that it had recently organized the Trans-Canada Airways will be gained from a description of the work which was accomplished by the officials of this department assisted by engineers of provincial departments and C.N.R. staff. During the year 1940 this group made surveys of hundreds of suitable sites, out of which 150 were chosen. In the acquisition of these sites they negotiated with and purchased land from over five hundred individual owners across Canada. All of these sites were cleared and graded. This involved the moving of 20,000,000 yards of earth. Then hard surface runways had to be built. These if converted into terms of a twenty foot highway represent over 850 miles in length. From the spring break-up in 1940 down to the fall of France and the Low Countries the work was proceeded with and all recognized safeguards taken such as calling for tenders, etc., but when the emergency came in late May all routine which would cause any loss of time was brushed aside and the contracts were let by negotiation instead of by tender. Contractors worked night and day with the result that before the end of 1940 more than double the number of air fields were ready for use than were originally planned.

Army, Navy and Air Force Buildings

2. All buildings required for the three armed forces Army, Navy and Air are designed by officials in the Department of National Defence and by the Department of Public Works. The procedure followed when any one of the three defence departments requires buildings is that the department in question sends a requisition to the Department of Munitions and Supply. This requisition has attached to it complete specifications of what is desired. The building construction department of Munitions and Supply then takes the necessary steps to award a contract for the performance of the work. The subcommittee finds that care is taken to protect the public interest in regard to the awarding of contracts. Tenders are called for where the work involves an expenditure of over \$5,000. In calling for tenders there is not only full publicity but where necessary contracts for individual projects are divided into a sufficient number of parts in order that the lowest price will be obtained for each class of work and further options are given as to the use of different types of building materials. In a country the size of Canada freight rates have an important bearing on costs and, consequently, it often happens that the optional use of different types of materials will achieve distinct savings. One illustration will suffice. In some parts of Canada steel is cheaper for some types of structural construction than lumber and, of course, in other parts the converse will be true.

The subcommittee finds that great care is exercised to assure secrecy of bids and assure competitive bidding. The subcommittee finds contracts are let on a lump sum basis or on a unit basis depending upon the nature of the work to be done. The subcommittee also finds that where all of the tenders are considered to be too high the contract is not awarded until tenders are again

called for. In every instance the contract is awarded to the lowest bidder. Before the contracts are awarded the whole project is checked by the Timber Controller's office and the tenders are also submitted to the defence department interested for its approval. The subcommittee finds that the construction branch of the Department of Munitions and Supply is very efficiently managed and that precautions are taken to protect the public interest. During the year 1940 something over 92 million dollars worth of buildings were constructed.

Timber Controller

3. When it became apparent that the requirements of the Defence Department were of such a size as to cause an inflationary effect on the lumber trade unless controlled and that shortages might develop, a Timber Controller was appointed by Order in Council dated June 24, 1940. The lumber price for all departmental purchases was set immediately. The wholesale price was also set for British Columbia but no action was deemed necessary at that time with respect to civilian prices for the rest of Canada. The whole problem was carefully studied and changes in grade of material to be used were made by a lowering of grades wherever possible. This was done in order to reduce costs and also to insure that all grades of our lumber stocks would be utilized.

The task assumed by the Timber Controller's office of supplying Canada's war needs in 1940 without disturbing the retail market was so carried out that our requirements were fully met without any serious shortages developing. During these few months over 340 million feet of lumber were purchased on government account. This represents seventeen thousand car loads. Deliveries ran as high as 400 car loads daily. The estimated saving to the country on this single item was placed by the Timber Controller at well over eight hundred thousand dollars. In addition to this problem of raw material supply a study was made with reference to all types of planing mill supplies including frames, sash, doors, tables, forms, etc. Frames for something over sixty thousand openings were changed from special to stock designs at a saving of over seventy-five thousand dollars. Glass sizes were standardized and forty car loads of glass of stock sizes were made available for use on government projects. As to lumber purchases the policy was to purchase direct from the manufacturer and at a point nearest to the place where it was wanted. Over 95 per cent of all purchases of lumber were made from manufacturers. The Timber Controller assured the subcommittee that he had been given complete authority in the purchase of supplies without interference of any sort.

The subcommittee was informed by the Timber Controller that in May of 1941 signs became evident of what he termed a "runaway" market for lumber and on May 26 a Timber Control Order was passed to control the wholesale and retail prices in all Canada excepting the wholesale in the Maritimes where existing conditions indicated that for the time being price control would be inadvisable. The problem was a very difficult one on account of the wide fluctuations in prices and grades which exist in different parts of Canada. The means adopted was to "freeze" all existing prices in all branches of the trade (manufacturing—wholesale—retail) at the price in effect April 1, 1941. To police such an order would appear to raise almost insuperable difficulties; however, a solution was found. Representative committees, thirteen in number, representing all three branches of the trade were set up covering the entire Dominion. These committees act in an advisory capacity and in addition investigate all complaints of infractions of the Timber Controller's Order. To date no prosecutions have been necessary. The Timber Controller estimates that this price control will save the buying public twenty million dollars annually.

As to building specifications and inspection during construction the subcommittee inquired fully into this problem. This work is done within the Defence

Department interested and before any buildings are constructed the office of the Timber Controller is consulted as to availability of material and also as to the design of buildings. The Timber Controller has no authority to see that his suggestions are carried out but he informs us that in the light of past experience no such authority is necessary as an agreement is always reached by conferences. His only recommendation to the subcommittee is that all purchases of lumber planing mill products and of articles which could be made of wood should be referred to his office before purchases are made. The subcommittee recommends that this should be done.

As to designs of buildings the subcommittee finds that great care has been taken and that so far as is practical buildings have been standardized to effect substantial savings.

Hangars

4. In the flying training schools the subcommittee finds that in schools requiring a number of hangars the school management has found that better results can be obtained by concentrating all of the major repair and servicing work in one hangar and simply using the other hangars for plane storage. This practice has greatly increased the efficiency of plane maintenance and has lowered costs, but the subcommittee finds that when all of the repair and maintenance equipment is concentrated in the one hangar as well as the maintenance personnel the shop annexes to the hangar in question are inadequate and that the shop annexes to the hangars which are simply used for storage are twice as large as they need be. The subcommittee recommends that in all schools equipped with more than two hangars additional shop annexes should be built to the hangar used for maintenance and repair purposes and further recommends that in future construction work changes should be made in the hangar plans to increase the workshop facilities for one hangar and to cut at least in half the workshop facilities of hangars used for storage purposes only.

Heating

5. The hangars and buildings immediately adjoining the hangars are, in the main, heated by a steam central heating plant. This type of heating has proven to be economical and highly satisfactory. The other buildings, including sleeping quarters, mess halls, etc., are usually heated by individual hot air furnaces operated by mechanical stokers. Partly owing to the fact that during the first season these automatic stokers were operated by unskilled workmen and partly on account of mechanical defects which existed in some makes of stokers considerable discomfort and some hardship was caused to the men during last winter. The subcommittee was informed that all of the operating personnel have now been given special training which fits them for their work and that all of the mechanical defects are being remedied so that during the coming winter all of the buildings will be efficiently heated. In view of the fact that this construction work was done so hurriedly and in view of the fact that heating equipment had to be obtained in so short a time and on an exceptionally large scale the subcommittee does not believe that anyone should be censured but cannot urge too strongly that conditions which existed last winter should not be permitted to occur again.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

SEVENTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 2 the following Report on "*Medical, Dental and Hospital Services*", which it has considered and adopted with amendments as its Seventh Report to the House.

REPORT NO. 1 OF SUBCOMMITTEE NO. 2

Subcommittee No. 2 begs leave to submit the following report on:

Medical, Dental and Hospital Services

For the purpose of clarity your subcommittee purposes to deal with Dental Services first and to combine its report so far as it relates to Medical and Hospital Services, as these so closely interlock.

Dental Services.—The Director of Dental Services appeared before the subcommittee and gave to it an outline of the organization and work of the Canadian Dental Corps. Prior to the outbreak of war no such organization existed and the Canadian Dental Corps is, therefore, a new creation. The subcommittee was much impressed with the efficiency with which the organization has been set up and with the emphasis placed on economy by those in charge of this particular Corps.

Medical and Hospital Services.—During the period following the war of 1914-18 the Canadian Army Medical Corps, as it was then known, was very greatly reduced in personnel.

Since the outbreak of the present war the staff of medical officers has been increased from 40 to 1,024 and of nursing sisters from 12 to 673. Of these 94 medical officers are engaged in taking care of the Navy personnel and some 306 are overseas.

In addition a separate medical branch of the Royal Canadian Air Force has been set up. The personnel of this branch consists of 319 medical officers and 75 nursing sisters.

It is apparent from the above that a very great expansion has occurred in the work of the medical branch of the Department of National Defence since the outbreak of the present war.

The subcommittee laid considerable emphasis on its inquiry into the question of duplication of medical services and hospitals suggested by the creation of a separate medical branch for air.

Evidence was submitted to the subcommittee by the Director of Medical Services for Air to show that little if any duplication occurred in the setting up of this particular branch. The personnel would be required in any event. The Air Medical Branch use the same consultants as does the Royal Canadian Army Medical Corps. Army medical stores serve the Air Medical Branch and Air uses Army and Department of Pensions and National Health hospitals, except where local conditions make necessary the building of hospitals for Air requirements.

It was further argued before the subcommittee that even in the matter of administrative staff no increase was made necessary inasmuch as the staff at present employed in administration would be necessary in any event. If the Air Medical Services came under the Royal Canadian Army Medical Corps the branch of the R.C.A.M.C. dealing with Air would have to be under a separate director and a certain amount of administrative staff required.

The most weighty argument advanced before the subcommittee to justify the creation of a separate Air Medical Branch was that the nature of the work requires a specialized type of training of the medical officers and a degree of intimacy with the airmen and their duties, thus making the task a distinctive one from the R.C.A.M.C.

Considerable research work is being done in co-operation with the National Research Council dealing with disabilities peculiar to the air. For example, a close study has been made of the cause of blackout, and the subcommittee was pleased to hear that very real progress has been made to find a remedy for this particular handicap in operational flying.

It has been found that the peculiar strain under which air work is carried on requires close medical attention of the men engaged therein for the purpose of noting any change in physical or mental attitude, which might endanger the life of the airman and incidentally the costly equipment with which he is furnished. A certain proportion of the medical officers of the Air Branch are assigned to this particular task, and the subcommittee is in agreement that valuable work is being accomplished as a result in reducing casualties, and in addition preserving the effectiveness of those engaged in such operations.

It must be kept in mind that the initial cost of training an individual to become a pilot, observer, navigator or operational airman is very considerable, approximately \$20,000 or more, and that in addition the plane which is entrusted to the care of these men constitutes a very substantial investment of money, and that purely from a pecuniary standpoint it is extremely wise and proper that extreme care should be exercised in keeping the men fit and effective to perform the all-important task which they have to do on behalf of the State.

For these reasons the subcommittee is of the opinion that the establishment of a separate air branch of medical services was justified.

There is a marked relationship between the work of the different medical branches and hospitalization, and it is for this reason that we touch upon the medical staff of the Department of Pensions and National Health. At the outbreak of the war, as has already been pointed out, the Royal Canadian Army Medical Corps had a small personnel and practically no hospital accommodation. It was necessary, therefore, to call upon the facilities of the Department of Pensions and National Health to take care of the immediate needs of the occasion. As a result since the outbreak of the war the Department of Pensions and National Health have medically taken care of 65,506 soldiers of the present war with total patient days of 1,454,649. For the purpose of comparison it is interesting to note that this number of soldiers of the present war treated and hospitalized by the Department of Pensions and National Health is out of a total of 81,435 patients treated by this department since the outbreak of war. This indicates that a very substantial proportion of the work of the Department of Pensions and National Health has been devoted to the care of soldiers of the present war. This has, of course, resulted in an increase in the medical staff and other personnel of the Department of Pensions and National Health, and in addition a substantial increase in its hospital facilities.

The Department of Pensions and National Health was set up as such in 1928 and took over the work of the Soldiers' Civil Re-Establishment Department. The duties of the treatment branch of the Department of Pensions and National Health consisted of the taking of medical and hospital care of soldiers discharged from the armed services and the rehabilitation of these to fit them for civil life. Since the outbreak of the present war it will be noted that they have become engaged in the medical care and hospitalization of active members of the armed services.

At present the practice is that men of categories A to D placed in the Department of Pensions and National Health hospitals are medically taken care of by officers of that department until their discharge or return to their unit. If,

however, a soldier is placed in category E he is then transferred to the care of the Department of Pensions and National Health for the purpose of hospitalization or rehabilitation, as the case may require.

Army or air medical officers have the right to inspect their patients in Department of Pensions and National Health hospitals but by the very nature of things the question of duration of stay in the hospitals is a matter to be decided by the medical officer of the Department of Pensions and National Health in charge of each particular case. So much so is this the case, as the subcommittee was informed, that the privilege of inspecting their patients while in the Department of Pensions and National Health hospitals is not frequently exercised by army or air medical officers.

This division of the duty of taking medical care of men in the armed services as between the Department of Pensions and National Health and the Department of National Defence has been given very serious thought by the subcommittee.

In the present war effort, where the whole national machinery has to be mobilized in a common effort for a common purpose, the subcommittee would urge that the executive and administrative heads of the different departments and branches of government recognize the supreme importance of co-operation and co-ordination so that the purpose of the state can be best achieved in the most economical manner.

The present dual control of medical services being rendered to the armed forces naturally leads to an examination of the record of what happened during the last war of 1914-18 in this regard.

Briefly, this is as follows: When the war broke out in 1914 all medical services of the Army and military hospitals were under the Canadian Army Medical Corps. In June, 1915, there was set up the Military Hospitals Commission. In 1918 this Commission was abolished or merged into the Department of Soldiers' Civil Re-Establishment, and to complete the story in 1928 this department became the present Department of Pensions and National Health.

The Military Hospitals Commission formed on June 30, 1915, by Order in Council was set up to deal with all soldiers invalided from overseas. Then in October of 1915 the powers of this Commission were enlarged to deal with all soldiers invalided whether from overseas, while on active service in Canada or elsewhere. The Commission had control of all invalided soldiers, whether discharged from the army or not.

In 1916 considerable difficulty arose between the then Department of Militia and Defence and the Commission as to the treatment of these cases, and it emerged that there was lack of co-operation between the two.

In November of 1917 a further Order in Council was passed placing all medical services in these hospitals under the control of the Canadian Army Medical Corps.

This new situation also proved unsatisfactory and consequently after numerous conferences an Order in Council dated February 1, 1918, was passed by which certain institutions equipped and operated by the Commission were passed to the control of the Department of Militia and Defence. Under this Order in Council,

- (a) all officers and soldiers who had not been discharged from the military forces of Canada remained under the jurisdiction and control and were treated in the hospitals operated by the Department of Militia and Defence;
- (b) all officers and soldiers discharged from the service as invalids and requiring medical treatment passed to the control of the Military Hospitals Commission.

It is therefore clear from the above that there is the experience arising out of the great war of 1914-18 to act as a guide to the best policy to be employed during the present war.

More than one school of thought has developed with regard to this general question.

One is of the opinion that the Army should only treat patients with minor troubles in small hospitals or first aid stations erected in the camps. It is a necessary corollary of this that in cases suffering from other than minor ailments these should be transferred to the Department of Pensions and National Health for medical care and hospitalization in hospitals under the control of the Department and its medical staff.

Another school of thought suggests that a great deal more use should be made of our civilian hospitals already in existence, and that these should be assisted to increase their bed capacity in order to serve the war requirements. It is pointed out by those holding this particular opinion that in this way the permanent hospital problems of Canada could be assisted and that such a policy would prevent duplication of hospital services, particularly having in mind that a great many of the temporary military hospitals will have to be abandoned after the war.

With regard to the above, two things should be noted. The average cost of a temporary military hospital is from \$500.00 to \$800.00 a bed while the average cost of a permanent civilian hospital is said to be in the neighbourhood of \$2,000.00 a bed. In addition time is an essential factor and it is easily apparent that the temporary type of hospital can be erected and put in operation much more quickly than the permanent type.

Again there is a school of thought which emphasizes the necessity of men who are in a category above category E being under the care and control of the medical officers of the Department of National Defence.

The experience of the last war would seem to support the contention of the last-mentioned school of thought, that is to say, that there should be a clear-cut division of duties between the Department of National Defence and the Department of Pensions and National Health. All Army, Air and Navy personnel should be treated by the Department of National Defence until such time as they are placed in category E, that is until they are considered no longer physically or mentally fit for active service.

In support of the above contention it is argued that war demands the most effective Army, Air Force and Navy that it is possible to create. The civilian who enlists in any of the armed forces must of necessity give up many civilian rights and become subject to military law in order that the most effective use can be made of man-power for the specific purpose of winning the war. Discipline and morale are two very important factors in the maintenance of an effective military force. It follows, therefore, that the duty of the military forces is to keep their men effective, that is to say, fit mentally and physically, and on active duty, in order that the full strength of our armed forces may be developed and available in case of need.

The Royal Canadian Army Medical Corps is but a part of the whole military system of achieving this end. An enlisted man must live in an atmosphere that will make of him and continue to make of him the most effective unit in the Army, Air Force or Navy. To do this it appears to follow that he must at all times, either sick or well, be under the direct control and care of officers of the armed forces who alone are trained and equipped for this duty.

During the last war of 1914-18 very considerable controversy arose over this very matter, and it is difficult for one who reviews the course pursued in the last war not to recognize the failure of dual control to accomplish the desired result.

The subcommittee in considering the matter has not failed to note that the Department of Pensions and National Health has been long established and its experience in the field of medical care and hospitalization is much greater than that of the Military Hospitals Commission in the last war.

In attempting to arrive at the proper conclusion in this matter, the subcommittee has sought to determine the basic principle that should govern.

In the opinion of the subcommittee this basic principle is that the medical services of the Department of National Defence should discharge, and be made responsible for, the duty, for which they were created, of taking medical and hospital care of all men in our military forces until such men are placed in category E.

The subcommittee therefore recommends that this principle be recognized.

The subcommittee fully realizes the importance of the conclusion it has reached in this matter and because of this recommends that the whole problem be referred to the Inter-departmental Committee hereafter referred to for immediate further study and report.

It should be noted that substantial hospital building programmes are under way and that the earlier a decision is reached, the less dislocation will occur.

The subcommittee is of opinion that no arrangement should be so rigidly adhered to as not to take into account special circumstances and conditions at specific points.

It follows that if the above principle is recognized and adopted there will have to be a redistribution of existing hospitals and the control thereof as between the Department of National Defence and the Department of Pensions and National Health.

There could, and should be, quite consistently with this principle, the maximum utilization of the facilities of the Department of Pensions and National Health and civilian hospitals.

It is pointed out that while casualties have been comparatively low so far in this war, provision must be made for any reasonable emergency, particularly in exposed areas, and the medical treatment branch of the Department of Pensions and National Health will have a very large and important task in discharging the duties which that branch was originally meant to discharge, to wit;

- (1) The care and hospitalization, if necessary, of veterans of the last war;
- (2) The care and hospitalization of enlisted men in this war when these have been placed in category E, and
- (3) The rehabilitation of all of these for re-entry into civil life.

Auxiliary Hospital Services

The subcommittee recommends that the greatest possible use should be made of any existing auxiliary services of the Department of Pensions and National Health and civilian hospitals. X-ray and laboratory equipment, operating rooms, etc., could well be made use of wherever possible. At centres where it is found necessary to erect temporary hospital accommodation it would be wise to explore the possibility of erecting these close to existing hospitals, with a means of communication so that advantage may be taken of these technical and general services.

In certain points where there is only a small unit of our armed forces stationed it might be wise and proper wherever possible to make use of existing civilian hospitals by agreement with that hospital rather than to build any new hospital accommodation.

Inter-departmental Committee

By letter dated December 5, 1940, the Minister of National Defence for Air indicated his desire that the whole question of medical and hospital services be thoroughly explored "with a view to ensuring that there is the closest co-operation and co-ordination of the three defence services and the treatment branch of the department of national health." He instructed that a committee consisting of the Director of Medical Services of the Department of National Defence, the Director of Medical Services of the Department of Pensions and National Health, the Director of the Air Medical Branch and the Surgeon-Commander of the Medical Services for the Navy, be assembled to render a report to him on certain points having to do with the medical and hospital services.

At one of the meetings of this committee the president of the Canadian Hospital Council attended for the purpose of discussing the general principles that should govern the utilization of hospital facilities in Canada.

As a result of this meeting the committee unanimously reported an agreement to the general principle of utilizing civilian hospital facilities where conditions warrant, but were of the opinion that each case where additional hospital accommodation was required should be judged as an entity taking into due consideration the following factors:—

- (1) Primary cost of construction;
- (2) Subsequent cost of operation;
- (3) Distance from concentration of troops;
- (4) Speed of construction;
- (5) Type of cases the forces have to treat (venereal and mild infectious).

The above committee has met infrequently since and from the evidence adduced before the subcommittee we are of the opinion that the greatest possible use is not being made of this inter-departmental committee.

The subcommittee recommends that such inter-departmental committee be made permanent and its authority and purpose more clearly defined and its personnel enlarged to include a representative of Treasury and a recognized civilian authority on hospitalization. In order to give direction to such a committee your subcommittee recommends that the Deputy Minister of the Department of National Defence be the chairman and a member of the said committee.

Because of the added representation on the inter-departmental committee a change in the name of this committee would be necessary.

Meetings should be held regularly and at least the following matters referred to it:

- (1) The careful survey of the present system of medical and hospital care of men in our armed forces;
- (2) In the event that the recommendation of the subcommittee as to the medical care and hospitalization of our service men is adopted, the redistribution of existing hospital facilities between the Department of Pensions and National Health and National Defence;
- (3) Consideration of all new public hospitals to be erected in Canada or elsewhere;
- (4) Generally the most efficient and economical use that can be made of our hospitals and auxiliary services.

Preventive Treatment

The subcommittee was interested in a submission made to it having to do with the application of preventive medical treatment in the care of the men enlisting in our armed forces. At present every recruit is inoculated against

certain diseases and is vaccinated for the prevention of small-pox. This preventive system does not, however, embrace the giving of serum to every recruit to guard against diphtheria, nor the taking of a Wassermann test.

The subcommittee points out that the experience of the past clearly indicates the saving in manpower and the cost of treatment and hospitalization that can be made by the minimizing of venereal diseases among the men of our armed forces.

All of the medical men who appeared before the subcommittee were in agreement from the standpoint of national economy, both during and after the war, that the taking of the Wassermann or other like test would be valuable. They are in agreement that syphilis is curable and a portion of the very great expense which is now assumed by the provinces or by the dominion in taking care of individuals in advanced stages of syphilis could be prevented.

The subcommittee is of the opinion that the mobilization of our young men presents an opportunity for performing a worthwhile service in this regard, and that a Wassermann or other effective test should be made *after a man has enlisted*. If it is found that the disease is in its infectious stage the individual should be segregated and the proper treatment given. If, on the other hand, the disease is not in the infectious stage, the subcommittee is advised there is a specific cure that can be applied over a comparatively short period of time, and that this can be given without danger to the recruit or to the men associating with him.

The President of the Canadian Hospital Council appeared before the subcommittee and strongly recommended the building up in Canada of a "blood bank". The subcommittee is aware that the Canadian Red Cross Society has done much in this particular field but the future demands may require much further to be done.

He pointed out that great numbers of our citizens are engaged in somewhat dangerous vocations, i.e. munitions and explosives plants, and that it would be wise to be well prepared for any emergency.

The Department of Pensions and National Health would appear to be the branch of government that could best undertake this task.

This witness made a further suggestion to the subcommittee that every recruit be tested for blood type and that his blood category be tattooed on his person (or his identification disk) so that little delay would occur in treating him if wounded.

The subcommittee recommends that this suggestion be given careful consideration by the proper officers of the Department of National Defence.

Incidentally, it should be noted that the typing of the blood of each recruit or enlisted man would involve a Wassermann test and that two objectives could be achieved at the same time.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

EIGHTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 2 the following Report on "*Supplies*," which it has considered and adopted with amendments as its Eight Report to the House.

REPORT NO. 2 OF SUBCOMMITTEE NO. 2

Subcommittee No. 2 begs leave to submit the following report on:

Supplies:

Your subcommittee was unable during the inquiry to open up generally the important question of supplies. It did, however, open up an inquiry into certain specific items of supply, namely, (1) medical supplies, (2) meat supplies, and (3) rations to air force.

(1) Medical supplies

At present all supplies required by the Army, Air Force and Navy are furnished by the Army Medical Stores Branch which prepares a requisition together with the specifications, forwards same to the Department of Munitions and Supply which, as required by statute, purchases all such supplies.

The Department of Pensions and National Health on the other hand purchases its own requirements direct, and a decided conflict of opinion appeared before the subcommittee as to the most efficient agency to use for this purpose.

The subcommittee proposed to have before it officials of the Department of Munitions and Supply for the purpose of securing information as to the price and quality of medical supplies purchased by this department, and to compare these with like medical supplies purchased by the Department of Pensions and National Health. Time, however, did not permit of this being done. This would afford a concrete method of comparing the comparative efficiency of the two methods of purchase. The subcommittee recommends that later in the committee's work this comparison be made.

The subcommittee had before it the officer attached to the directorate of medical services in charge of medical stores, and in addition the subcommittee visited the manufacturing laboratory of both the Department of National Defence and the Department of Pensions and National Health.

It should be kept in mind in dealing with this particular subject that the army medical stores branch was faced with a rapidly expanding task. This is illustrated by the fact that in the years prior to the war the stores purchased annually amounted to approximately \$10,000, while in the peak year since the outbreak of war these had amounted to approximately \$2,500,000.

The subcommittee was somewhat concerned with the apparently large quantity of certain drugs and items of equipment purchased. However, it was pointed out by the director of medical services that Canada has armed forces distributed at many points, some overseas, some in Canada, and that even in Canada units are stationed at greatly separated points and in varying numbers. Loss of supplies occurs at sea and during engagement in the field, and army authorities must base their requirements on all possible emergencies.

The subcommittee, therefore, feels that it has not sufficient evidence to properly pass judgment on the quantity of purchases above referred to.

The subcommittee was concerned with evidence which indicated that the medical stores branch had not been able to keep its bookkeeping records up to date, and that no complete system of audit would therefore be possible.

The officers of the branch concerned gave as an explanation:—

- (1) the very great expansion in the work of the stores branch,
- (2) the lack of sufficient and experienced personnel to do the work assigned to it, and
- (3) the fact that the stores are housed in four separate buildings, thus adding to the difficulties of control and record keeping.

The subcommittee is of the opinion that since it has not been able to go fully into this matter, an accountant from the treasury branch, carefully selected for the task, should be assigned to make a survey of the medical stores branch, its personnel, its system of keeping records and the matter of proper audit and inventory taking, and thereafter make a report to the Minister of National Defence as to the whole matter.

The subcommittee is of the opinion that where a branch of the government is dealing in such large quantities involving so much money, the keeping of proper records and the periodical complete audit and inventory check are necessary and essential in order to prevent carelessness and possible pilferage by those having access to the stores wherever located. It is for this reason that the subcommittee makes the above recommendation.

The subcommittee recommends that later on in the committee's work a further inquiry should be made into this matter for the purpose of ascertaining the facts, and to ascertain if any changes that have been found necessary are made.

The subcommittee recognizes fully the very great task imposed upon certain branches of government by the mushroom growth of our war effort, and the very great likelihood that existing staffs will be overworked and unable to keep up completely with the work assigned to them. The above recommendation is, therefore, made with this in view and with the desire to help this particular branch solve its own problems.

Certain drugs such as cough medicines, liniments, etc., are manufactured by the Department of National Defence and also by the Department of Pensions and National Health.

The suggestion has been made to the subcommittee, because of the longer experience and better equipment of the Department of Pensions and National Health, that this work could be properly concentrated in that Department, and purchases made of these drugs and preparations by the Department of Munitions and Supply on behalf of the Department of National Defence.

Your subcommittee has not been able to pursue its inquiry into this matter to a sufficient degree to pass judgment on this suggestion.

The subcommittee is of the opinion that some of the criticism directed at the Army Medical Stores Branch in the purchase of obsolete drug supplies, gauze and equipment occurred as a result of the official army list of these being a relic of the last war. The use of this list continued up until recently when the whole list was revised and the subcommittee is pleased to note that this change has taken place and that purchases of such supplies will be in conformity with progress and modern development.

(2) *Meat Supplies*

The subcommittee visited Toronto during the course of its inquiry, and while there had the opportunity of meeting with the officers of Canada Packers and the Swift Canadian Company, both of which firms supply considerable of the meat requirements of the armed services.

The subcommittee's attention was drawn to suggestions made by the packers to the effect that substantial economy could be achieved by a change in the specifications for meat requirements in both beef and pork. These were:—

- (1) The trimming of fat from beef before shipment to the camps;
- (2) Supply pork meat in the form of cuts instead of, as at present, in carcasses.

Beef:

The average military beef carcass carries about 20 pounds of fat, which in the main is not salvaged in the form of edible fats at the camps. An estimate

of the average price received in all camps for this fat would not exceed 1 to 2 cents per pound. The packers suggest that if trimmed at the packing plant the value of this would be at least 4 cents per pound and that the difference could be saved to the government.

In addition it was pointed out to the committee that there is at present a shortage of edible fats in Canada and that this shortage will likely become more acute. The subcommittee recommends therefore this be kept in mind in the consideration of these suggestions.

Pork:

Careful tests made by the packers according to present military specifications indicate that 42 per cent of the carcass could more profitably be retained at the packing plant. This 42 per cent is made up as follows:—

	Per cent
Spare ribs	2·66
Tail	·31
Fat and skin	16·17
Hocks	2·81
Bones	3·13
Scrap	·12
Belly	17·42

All of this product could be used at the packing plant at a much higher value than could be realized at the camp. The packers, therefore, recommend that there be shipped only the trimmed hams, trimmed loins and trimmed shoulders, totalling 58 per cent of the carcass.

The packers furnished a memorandum setting out the above suggestions and supplying a computation of the saving estimated to result therefrom, based upon present beef and pork prices.

The subcommittee asked the Director of Supplies in the Quartermaster General's Branch and Mr. Pearsall of the Department of Agriculture who, on request, advises the Department of National Defence in these matters, to consider these suggestions made by the packers. These officers indicated their full appreciation of Army requirements being fitted into the national economy and, offhand, were of the opinion that the suggestions made by the packers had merit and should be carefully analysed and considered.

The Director of Supplies pointed out, however, that these suggestions must be weighed in the light of two essentials:

- (a) That the meat furnished would meet the requirements of the Dietetic Advisers to the Department of National Defence as to the necessary ration content,
- (b) That the change would not result in an increased cost in rations.

The Director of Supplies pointed out that when it is recalled that 200,000 rations are issued daily, an increase of even a fraction of a cent is a very important matter and should be considered very carefully.

It was further pointed out that another thing which must be considered is that our forces are not necessarily concentrated in large camps such as Camp Borden, but are spread out throughout the length and breadth of Canada, and the Department must see to it that the meats furnished are furnished in such a condition that they will reach the point of consumption in the best possible condition. The breaking down of the carcass into cuts must be considered from this particular viewpoint.

The question of Government inspection is also a matter that must be carefully considered. At present all carcasses are inspected by Government Inspectors at the packing plant under the Pure Food Act, and in addition in the case of beef, inspected as to compliance with military specifications.

Some system would, therefore, have to be devised whereby the quality of the meat furnished could be passed upon by the Government Inspectors prior to the carcass being cut up.

The subcommittee impressed upon the officers appearing before it its opinion that the suggestions made should be carefully and sympathetically examined, and this the officers agreed to do. The subcommittee recommends that this should be kept in mind and that at a later date inquiry be made as to what has been accomplished as a result.

(3) *Rations to Air Force*

The subcommittee visited the Manning Pool in the city of Toronto and had some confirmation of the opinion expressed before the subcommittee by the Director of Medical Services for Air, that the ration being supplied to the Air Force was too heavy in its content to be satisfactory. Men in the Air Force who are engaged in actual flying would be classed in an occupation such that the Director of Medical Services for Air suggested, therefore, that they require a different diet from that of the ground crews and men in the army.

At the Manning Pool it was found that the supply officer indented for less than his authorized number of rations and in addition showed a very considerable underdrawing in each month. The Manning Pool implemented its ration list by the purchase out of funds supplied by the canteen of vegetables and other food to make the diet list more satisfactory.

The subcommittee was pleased to note that this matter is being considered by the proper officers and by the Advisory Board on Dietetics and is of opinion that the inquiry should be proceeded with and, if necessary, a change made in the matter of rations supplied to those in the Air Force engaged in flying operations.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

NINTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 2 the following Report on "*Salvage*", which it has considered and adopted with amendments as its Ninth Report to the House.

REPORT NO. 3 OF SUBCOMMITTEE NO. 2

Subcommittee No. 2 begs leave to submit the following report on:—

Salvage

The subcommittee is of the opinion that the above is one of the most important subjects assigned to it and its inquiry is by no means completed.

In this, as well as in the matter of medical services, lessons can be drawn from the course pursued during and after the last war.

It is apparent, however, that if the problem was an important one in the last war, it is many times more so during this war because of the staggering increase in mechanization and the resultant purchase of costly equipment.

Until recently the practice followed was that the Master General of Ordnance in the Army, the Air Member for Supply and the Director of Stores in

the Navy, decided which stores had become obsolete or worn out and furnished a list of these to the Chief Salvage Officer under the Treasury Branch, whose duty it then was,

- (a) to see if any other department of Government could make use of the material, and
- (b) in the event that this could not be done, to dispose of same by sale.

The Chief Salvage Officer performed this task not only for the military branches of the Government but for all civilian departments as well, and his list of salvage items embraced everything from buildings, vessels, scrap steel and automobiles to clothing, boots and shoes, etc.

Quite recently, under an Order in Council, there has been set up in the Army under the Master General of Ordnance the Army Salvage and Disposal Board, the duties of which were as follows:—

- “(a) Examine and condition all stores returned to Ordnance Depots by Army units.
- (b) Repair in conjunction with Ordnance Workshops, all stores that can be repaired economically.
- (c) Manufacture within Ordnance Services stores salvaged from good material from unserviceable stores.
- (d) By education and publicity prevent waste of general army stores.
- (e) Stores returned from army units not worth repairing will be sorted and sold as produce—produce meaning scrap metal and rags.”

The Order in Council, P.C. No. 4649, of date the 25th June, 1941, creating the Board, provides before disposal by this Board of any “produce” that the Chief Salvage Officer, before referred to, must be notified to permit him to inquire as to whether such could be used by any other department, in which case the necessary transfer would be made.

The Chairman of this new Board appeared before the subcommittee. His former experience in the business world and during the last war as a Salvage Officer for the British Government gave him very considerable experience in the matter of merchandising and salvage. As explained to the subcommittee, the Board's duties will be to make every individual in the army salvage-conscious and by a process of education, to stress the point that every item in stores or issued as equipment is bought and paid for by themselves and the “people back home”, and that every citizen either in the armed services or in civilian life should recognize his personal responsibility to assist in salvage and the elimination of waste.

The officer above referred to, stressed the point that salvage is not chiefly a matter of disposal of waste goods, but in the better sense is a saving of these goods by repair for further use.

The Board has only recently come into existence and its work has just commenced and, therefore, the committee was not able to pass any final judgment on the work being done by this Board, but is of the opinion that if the programme as outlined is carried out it should result in very substantial economies.

It was indicated to the subcommittee that this Board will function solely in the Army, that it is somewhat of an experiment, and that should it prove successful, its programme would be extended to include the Air Force and Navy or a like organization set up in these services. At present salvage in these two branches of our armed forces still continues to work through the Chief Salvage Officer in the Treasury Department.

There is one point in this arrangement to which the subcommittee believes attention should be drawn. The subcommittee believes that the same principle as recognized in the matter of medical services and hospitalization should be recognized in the matter of salvage, that is to say, that the branches of the armed services should perform duties military in their nature, and that civilian duties should be left to civilian control.

It is noted the management of stores and the condemnation of such as are obsolete or of no longer any use to the particular branch of the service, is strictly a military matter and these duties should, therefore, rest on the military branch. On the other hand, the disposal by way of sale of obsolete or cast off material is civilian in its nature, and this duty should be under the direction and control of civilians.

This point is of added importance because of the recognition of the immense task that will confront Canada at the conclusion of hostilities in the matter of the use or sale and disposal of military equipment.

The subcommittee is of the opinion that Canada should now be building up an organization capable of advantageously disposing of materials that should be disposed of during wartime, and having in mind the requirements of the post-war period in this regard.

The subcommittee recommends that this work of disposal be assigned to a civilian branch of government. The directing head or heads of such a branch would have to be carefully chosen inasmuch as the task will be such a considerable one. The subcommittee is convinced that if this task is discharged efficiently and well it will mean substantial return to the public Treasury.

One point stressed in which the subcommittee wholly concurs is that, since in wartime price levels are high, the disposal of articles of all descriptions found to be no longer of use to any branch of our armed services should be completed as quickly as possible, thus securing the best price and in addition lessening the load that would be placed on such a branch at the expiration of the war.

Having in mind the above principle to be recognized in the division of duties embraced in the word "salvage", the subcommittee recommends that each branch of the service place the responsibility of salvage upon one officer or board of officers whose duty it would be to see to it that to the greatest possible extent all equipment of every kind is saved for further use, wherever this may be done. The subcommittee further recommends that by means of lectures and an educational programme the whole personnel of our armed forces be made salvage-conscious, and particularly officers discharging the duties of Quartermasters and Supply Officers.

Periodic and regular inspection of all stores should be made by the responsible officer of each service to determine if any stores are obsolete or no longer of use. Should this be the case prompt action should be taken to salvage or dispose of these stores.

In the event of any material having been condemned as no longer of use to any branch of the service, such articles should be turned over to the civilian board for the purpose of disposal and, in the opinion of the subcommittee, the above arrangement recognizes the principle of leaving to the military the task which it can best discharge, and to the civilian the task which in its very nature belongs to the civilian, particularly having in mind the necessity of setting up a nucleus of a post-war salvage board equipped in personnel and experience for the task.

Salvage of Waste Oils:—

The subcommittee received suggestions from outside sources that real economy could be exercised in the matter of salvage of waste oils in the Air Force.

The suggestion most frequently made was to the effect that the Air Force instead of discarding its waste oil should have this re-refined and used again.

Most of the suggestions made to the subcommittee were based on the assumption that the average use of lubricating oil in airplanes was for a certain duration in the air and that the price of fresh lubricating oil was in the neighbourhood of \$1.05 per gallon.

The subcommittee was very much interested in the suggestion and made due inquiry into the matter. It found that by the improvement that has taken place in airplane engines and the equipment attached thereto the life of oil has been very greatly increased. In addition it found that the Air Force is paying only 45 cents a gallon in Eastern Canada and 55 cents in Western Canada for lubricating oils.

The subcommittee found that the technicians attached to the Air Force have advised on technical grounds against the re-refining of this oil for further use by the Air Force, being uncertain of the results and being unwilling to increase the danger to the airman or to the airplane of which he is in charge.

The subcommittee having in mind the safety of the airman and in addition the very costly equipment which is placed in his charge, does not find itself able to disagree with the technicians in this regard.

However, the subcommittee was pleased to find that another solution of the problem has been found. The Army is a large user of mechanical transport, including tanks, trucks, automobiles, etc., and of lubricating oils, and an arrangement has, therefore, been entered into between the Air Force and the Army whereby the Air Force is to turn over to the Army, where freight rates and other factors permit, all of its waste lubricating oil. When this is done the Army proposes to reclaim and dilute this oil to a sufficient degree to be serviceable in army transport vehicles and thus make use of the waste oil arising in the Air Force.

The arrangement has not yet been put into effect and at present the waste oils are being sold through the office of the Chief Salvage Officer to private purchasers. The subcommittee is informed, however, that the arrangement will be put into operation as quickly as possible, and if this is done the subcommittee commend the initiative as shown by the officers of the two services concerned in finding a solution to this problem.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

TENTH REPORT

November 3, 1941.

The Special Committee on War Expenditures has received from its subcommittee No. 3 the following Report on "*Financial controls over army, navy and air force expenditures and Headquarters establishments in army, navy and air force*", which it has considered and adopted with amendments as its Tenth Report to the House.

INTRODUCTION

Pursuant to the Order of Reference of the House of Commons, dated 10th June, 1941, to the effect that the Special Committee on War Expenditures "continue its enquiry notwithstanding the pending adjournment of the House", subcommittee No. 3 was formed as a result of the adoption by the said Committee, on 8th July, of a report by its Agenda subcommittee, which read in part as follows:

(Section) 3. That a subcommittee be appointed to enquire into the following matters, viz.:

(a) Financial controls over army, navy and air force expenditures;

and

(b) Headquarters establishments in army, navy and air force.

Your subcommittee, therefore, was entrusted with the continuation of the enquiry pursued by former subcommittee No. 3 which held meetings while the House was in session, and whose interim report was incorporated in the SECOND REPORT of the Committee, presented to the House on the 4th June, 1941.

Your subcommittee has, since 8th July, held 25 meetings. It has heard lengthy evidence from a large number of witnesses, including high ranking officers from the navy, army and air force; officials of the Department of National Defence for navy, army and air force; the Department of Finance; the Treasury Board; the Comptroller of the Treasury; and the Civil Service Commission. Submissions were received from the Inspection Board of the United Kingdom and Canada; the Department of Munitions and Supply and the Department of the Auditor General of Canada. A review was made of the evidence and exhibits secured by the former subcommittee, and a study was made of their findings contained in the interim report.

Your subcommittee visited the naval stores, R.C.N., at Halifax, N.S., No. 4 Repair Depot of the R.C.A.F., at Dartmouth, N.S. It also visited the construction project at Newfoundland. The findings made in the course of this inspection tour are reflected in the recommendations contained in Part II of this Report.

After careful consideration of all such evidence before it your subcommittee begs leave to present a further report.

In presenting this further report your subcommittee has deemed it advisable, for purpose of clarity, to divide it into three distinctive parts, namely:

PART I

Part One deals with the recommendations and principles enunciated in the interim report of former subcommittee No. 3.

PART II

Part Two deals with the recommendations by your subcommittee in the light of the evidence submitted to it.

PART III

Part Three deals with the evidence before the present subcommittee. It is an insight of the financial controls and checks operating within the Department of National Defence. While controls and checks exist in the navy, army and air force, the three divisions of the National Defence Department have had a different historical development; and, therefore, in the light of expediency, the routine of administration has varied. The three arms of the service are grouped within one department, but actually they have had a rather independent development, having at the present time a separate minister and a distinctive administrative organization. Where Part Three becomes specific, the conclusions refer to the Army, because its establishment extends over a longer period of experience than the younger arms of the service in Canada, the Navy and Air Force. As Part Three proceeds a picture is given of the financial controls operating by organizations independent of the National Defence Departments. These outside controls are described under the following headings:

- Civil Service Commission
- Treasury Board
- Comptroller of the Treasury
- Inspection Board of the United Kingdom and Canada
- Department of Munitions and Supply
- Department of the Auditor General of Canada

Certain remarks pertaining to organization at Headquarters establishment of the Army; Pay and Allowances conclude Part Three of the Report.

There is evidence that many of the recommendations made in the interim report of the subcommittee have been placed in effect with resultant economies.

All of which is respectfully submitted.

ALPHONSE FOURNIER,

Chairman of the Subcommittee.

PART I

RECOMMENDATIONS AND PRINCIPLES ENUNCIATED IN INTERIM REPORT OF FORMER SUBCOMMITTEE No. 3

Your subcommittee desires at the outset to reaffirm its belief in the soundness of the recommendations and principles promulgated in the interim report of former subcommittee No. 3. In the light of the evidence heard by your subcommittee the measures recommended appeared so pertinent that your present subcommittee deems it advisable to reiterate them:—

The Ministers of Defence Departments, as all ministers of the Crown are responsible to Parliament for the proper expenditure of moneys at their disposal appropriated by Parliament. The final preparation and approval of estimates should be under the jurisdiction of the Deputy Minister. There should be a Financial Superintendent under the jurisdiction of the Deputy Minister. His function, among others, would be to gather together, classify and finally prepare the estimates for presentation to the Deputy Minister. The Financial Superintendent should be a civilian, independent of the service personnel and responsible directly to the Deputy Minister. The Financial Superintendent and his staff should cooperate to the utmost with the service staff in the preparation of the estimates. Both staffs should have a clear knowledge of each of the respective functions of the other. This knowledge will help them obtain maximum united action in the course of their work.

The fields of exploration of possible economies are to be found in the war establishments and their incidentals. The moneys are spent on persons, plant and equipment. As to personnel, it must be adequate for its war purposes but not wastefully dealt with. The Committee should continue its inquiry in this field with the following object in mind.

Economies are to be made, if possible, but without impairing the efficiency of the service.

As to plants, the civilian authority must be adequately and strongly represented, particularly before large construction programmes are set under way.

As to equipment, the same careful scrutiny should be given as that recommended for the personnel before the war establishment proposal is submitted for approval.

Proper records of each financial encumbrance should be kept, so that the Department may know at all times the state of the appropriation and the balance unexpended. These records should be compared with the records of the Comptroller of the Treasury, who keeps a careful account of all commitments so that he may be able to make the necessary certification of unencumbered balances available with accuracy. It is not the function of the service personnel to make financial arrangements for the department. This is fundamentally a civilian function. Therefore, all essential statistical records should be under the jurisdiction of the Deputy Minister.

The reception, distribution and accounting of stores must be left in large measure as the responsibility of the service personnel, although civilian personnel in equipment depots could be used. It is essential that there should be an independent audit of these stores by civilian personnel under the jurisdiction of the Deputy Minister.

PART II

RECOMMENDATIONS OF THE PRESENT SUBCOMMITTEE

1. The recommendations of your subcommittee in its interim report, concerning the appointment and functions of a Financial Superintendent under the jurisdiction of a Deputy Minister should be implemented in the Defence departments where this has not yet been done.

2. A war establishment committee should be set up in all of the three Defence departments.

3. The Financial Superintendent should be a member of the war establishment committee in all Defence departments with the authority to delegate his powers to his civilian representatives. This has not been carried out in all Defence departments.

4. A staff of highly trained civil servants with expert background should be appointed to assist the Financial Superintendent in the carrying out of his duties. These civilians should study and discuss the estimates with the service personnel, and through the Financial Superintendent, advise the Deputy Minister.

5. The long and complicated procedures concerning war establishments should be simplified and shortened without weakening the financial and constitutional controls of the civil power.

6. Each Defence Deputy Minister should be assisted by a civilian Director of civil personnel, responsible to him, who will supervise the civilian staff of the Department.

7. Civil servants transferred from other departments to National Defence Departments should be paid the compensation commensurate with the work they are performing.

8. Civil servants enlisting or being commissioned in the future should not be continued in their ordinary duties unless it is in the public interest and such action increase the efficiency of the Service.

9. A committee consisting of representatives of the Deputy Minister's office, the Civil Service Commission, and the Service staffs and of Treasury Board should be appointed in each Defence department to determine which positions should be occupied by civilians or by Service personnel. This committee should be empowered to create procedure under which clear distinctions will be drawn between civil positions and Service positions in the Service departments.

10. Consideration should be given to the afterwar use and/or disposal of all property, real or personal, acquired by the Crown for war purposes.

11. The Committee appointed to obtain coordinated action respecting amendments to the financial regulations for the three fighting forces should be enlarged and have two representatives of the Treasury Board. Furthermore, it should, instead of being a purely informative body, have power to initiate changes, suggest, determine or approve policy to financial regulations. It would serve as an advisory body to the Treasury Board on amendments to Pay and Allowances.

12. Regarding war expenditures in connection with transportation, freight, express and telegraph service the departments concerned should carefully consider possible economies by the more extended use of the government-owned-and-controlled railway system.

13. The new system of stock control in operation in naval stores should be given careful consideration in the army and the air force with the view of having the same system set up in their own stores.

PART III

INSIGHT OF THE EVIDENCE BEFORE SUBCOMMITTEE No. 3

SUMMARY OF CONTROLS OVER WAR EXPENDITURES AND THE VARIOUS PROCEDURES FOLLOWED IN THAT CONNECTION BY THE NATIONAL DEFENCE DEPARTMENT (ARMY)

Estimates

The annual estimates are compiled prior to the beginning of each fiscal year and are based upon an appreciation of the probable military contingencies which the country should be prepared to meet. It is an attempt to forecast a cost of the armed forces, to enable the general staff to carry out its plans for the ensuing year.

These original annual estimates undergo interim revision, from time to time, during the year to which they pertain owing to changes or developments in the military program, affecting establishments, organization, equipment scales and priorities training, supply and movement, etc.

War Establishments—Basis of Estimates

War establishments bear a close relationship to estimates of war expenditure and to the control of costs. They provide an exact schedule of personnel in every rank and position for each unit of the organization, together with details such as motor transport and weapons.

Estimates, based upon those establishments which enter into the General Staff's plan for the forthcoming year, are therefore initiated within the General Staff and are compiled and co-ordinated in Directorate of Staff Duties, before being submitted for careful financial scrutiny and approval to both higher military and civil authorities.

Classification of Estimates

The classification of estimates is carried out in two ways; first, by "Objects of Expenditure" to fulfill accounting requirements; and secondly, by "Functions" to fulfill governmental and military requirements. "Objects of Expenditure" represent vote primaries such as "Construction and Repairs," "Pay and Allowances," "Travel and Transportation," etc. "Functions" represent specific formations such as "1st Canadian Division."

This dual classification of estimates enables both the General Staff and officials of the Treasury Board, to whom the estimates are passed for review, to exercise detailed scrutiny from the point of view of financial economy. Although the functional structure of the estimates is not required for Army accounting it enables General Staff to maintain a close and continual check on projects in relationship to war establishments and organization. This supervision within General Staff is exercised in addition to that subsequently carried out by the finance officials in the Branch of the Deputy Minister. As a result of experience in the co-ordination of estimates the Directorate of Staff Duties within the General Staff has created a system of procedure, records and control able to cope with the financial aspects of any emergency and to ensure maximum supervision and accuracy in Army expenditures prior to the submission of estimates to higher civil authorities.

Estimate Procedure

Once compiled either on the annual basis, or upon request, as in the case of interim estimates, the completed estimates are passed by the Directorate of Staff Duties, through the Assistant Chief of General Staff or Vice Chief of General Staff, to the Chief of the General Staff, then to the Deputy Minister, and finally to the Minister. At every stage additional scrutiny from the point of view of economy in expenditure is brought to bear. Civilian supervision and control, is exercised by the Branch of the Deputy Minister, through the Chief Clerk of the Estimates, and the Financial Superintendent. From the Minister the estimate is passed to Treasury Board for further detailed scrutiny and then to the War Committee of the Cabinet for approval, before it proceeds to the Privy Council for authorization. Parliament votes a lump sum, without detailed printed estimates, and Treasury Board then allots to various war spending departments the approved funds based on the detailed estimates previously submitted to the War Committee of the Cabinet, Treasury Board.

The Civil Control and Responsibility

Within the Department of National Defence civil financial control over expenditure is exercised in various phases by the Deputy Minister through the heads of Divisions of the Civil Branch. These include the Chief Clerk of the Estimates, the Financial Superintendent, the Director of Civilian Personnel, the Real Estate Division, the Contracts Division, the Auditor of Stores, the Printing and Stationery Division, and the Director of Public Relations. All of these are directly concerned with various phases of expenditures; and each Division is headed by a civilian responsible directly to the Deputy Minister. In addition, the Deputy Minister examines the financial aspects of every financial encumbrance, and contract demand, which involves expenditures from all votes administered by the Department of National Defence.

The civil jurisdiction of the Deputy Minister is made effective, both by his scrutiny of the financial details of every submission, and his representation on the War Establishment Committee in the person of the Financial Superintendent.

The annual estimates, and interim estimates, of the Department of National Defence are assembled by the General Staff under the direct supervision of the Financial Superintendent who carries out the final consolidation of military and civil annual estimates.

At all times and at every stage in the procedure of estimates there is a close collaboration between the military authority as represented by General Staff, and the civil authority as exercised by the Deputy Minister through the Chief Clerk of the Estimates and the Financial Superintendent.

In Army a further control is provided by the presence in the Directorate of Staff Duties (Estimates Section) of three Grade IV civil clerks, two of whom are employees of, and liaison officers for, the Financial Superintendent. There is also, in the same capacity, one Grade IV civil clerk in the Branch of the Master General of the Ordnance.

Control of War Establishment Changes

As the basis of estimates are war establishments, it is important that all proposed establishments, or amendments be carefully scrutinized before approval is granted, in particular by the civil authority. To this end there is a War Establishment Committee upon which the Deputy Minister is represented, and which includes also the Director of Staff Duties, the Director of Military Operations and Intelligence, and the Director of Organization. This Committee must review and approve all establishment changes, and the estimates therefor.

and consists of the most experienced and qualified Military Personnel in addition to the civil representative. Since most Canadian War Establishments are patterned upon those prepared and recommended by the War Office, there is the additional assurance of War Office scrutiny before adoption for the Canadian Army.

The procedures above described are followed in National Defence (Army) and should be applied in all Defence departments.

Civil Service Commission

Under Sections 9, 10, and 12 of the Civil Service Act (Chap. 22, R.S.C. 1927, as amended), the Civil Service Commission is required to investigate and report upon the organization, classification and compensation of those sections of the Public Service which fall within the jurisdiction of the Act.

One of the functions of the Commission in this connection is to prepare, in consultation with the several deputy heads, heads of branches and other chief officers, plans for the organization of each department and of each branch or portion of the Civil Service. Such plans of organization, together with any changes that may become desirable in them, are then submitted by the Commission to His Excellency the Governor General in Council for approval, and the Act provides that no change shall be made in the organization of any department until it has been so reported upon by the Civil Service Commission.

Similarly the commission is required to establish new classes or grades of positions and to divide, combine, alter or abolish existing classes or grades.

A third responsibility laid upon the commission is to recommend rates of compensation for any new classes that may be established or for any changes in existing classes. Such proposed rates of compensation become operative only upon their approval by the Governor in Council and the recommendation of the commission is required before this approval be given.

The Civil Service Commission is given a further function in connection with expenditure for civilian staff in the war departments.

By Order in Council P.C. 1/1569 of the 19th April, 1940, it is required to investigate and report to the Treasury Board on the need for additional positions requested by the various war units, and on the rates of pay which should be allowed. When additional positions have been authorized by the Treasury Board, the commission is then required to make the necessary appointments after such tests of qualifications as the commission considers practicable and in the public interest.

The commission also makes a practice of assisting departments generally and war departments particularly, in connection with their methods and procedure, and maintains a staff of trained investigators who are in constant touch with the departments, for the purpose of carrying out the functions which have been described.

The commission also, under the provisions of the Civil Service Act, selects and supplies the civilian staff required for the various departments, and supervises such matters as promotion, transfer, leave of absence, and general working conditions.

These functions obviously constitute an important phase of the procedure of financial control over civil personnel expenditures.

TREASURY BOARD

One of the most important bodies having to do with financial controls and checks over war expenditures is the Treasury Board. The statutory authority is contained in Chapter 71 of the Revised Statutes, sections 9 to 13. The Board consists of the Minister of Finance and five other ministers of the Crown.

The functions of the board include classes of submissions placed under its jurisdiction by statute, by Order in Council and by practice. Many classes by statute are included in a number of acts. The classes referred to by Order in Council are all matters affecting the public service of Canada. Classes of submissions referred to the board in practice cover a very large field. In addition the board considers in detail the estimates of expenditure for the normal government services and for war:

The procedure in respect of normal services is approval of the estimates in detail by the Treasury Board before submission to Council and House of Commons. The estimates of the public service are classified on a functional basis and supported by over 200 pages of detailed information. This procedure cannot be followed in providing for war requirements, because it is impossible to estimate accurately in advance the needs of the war services. So war estimates are presented in the form of a bill with such details by departments and functions as may be available. It is understood and made clear to Parliament that changes will take place during the year, as justified by circumstances. To control these war estimates through Treasury Board it became necessary to adopt a new procedure which provided for the control of estimates, allotments and commitments.

The estimates referred to are the details approved by the government at the time the Appropriation Bill is submitted to the House of Commons. These estimates always exceed the amount of the bill because it is impossible to obtain deliveries and make payments during the fiscal year. Additions to estimates approved are authorized by Treasury Board after approval in principle by Council or the Cabinet War Committee, if new major policy involved, otherwise, without such approval.

In normal government services, when estimates have been approved by the House of Commons and the Senate and assented to by the Governor General, an Order in Council releases the totals voted to the departments. The war estimates are released in the form of allotments covering requirements for two or three months. This control by shorter terms enables more accurate estimates to be made. The sums approved are recommended by Treasury Board after detailed consideration. These allotments never exceed the total provided by Parliament in the War Appropriation Act unless further amounts are authorized by Governor General's warrant. The sums used under authority of such warrant are submitted for parliamentary approval in the supplementary War Appropriation Bill. It may appear that estimates approved by the Treasury Board exceed the sum authorized by Parliament, but the actual cash allotments to which administrative officers are restricted, never exceed this sum.

The Treasury Board also controls commitments which may be made by departmental officers. It is absolutely necessary to order equipment and supplies sometimes months, and even years in advance. On this account some procedure for control of such commitments is required. The authority for the exercise of these controls is section 5 (1) (e) of the War Appropriation Act which provides that the Governor in Council may by order or regulation prescribe administrative practices with respect to making of financial commitments. Under this authority, on the 19th of November, 1940, Order in Council P.C. 6695 prescribed regulations as follows:—

- (a) Estimates of requirements for war expenditures shall show as nearly as possible, the amount of the proposed expenditures which will come for payment in the current fiscal year and in subsequent fiscal years;
- (b) When estimates have been approved by the Treasury Board, financial encumbrances may be issued to the amounts so approved;

- (c) In the event of such urgency that Treasury Board approval cannot be obtained, the Minister of Finance may authorize the issue of commitments, subject to later approval by the Board of such authority.

All salaries, rates of pay and allowances have to be authorized by the Treasury Board.

Inspection Board of the United Kingdom and Canada

At the outbreak of the war in September, 1939, the inspection of all stores purchased for the use of His Majesty's service was done by the Inspection Branch of the National Defence Department. The Government of the United Kingdom, in the early days of the war, sent an inspector whose duty was to organize a body of inspectors to inspect stores purchased by the British authorities. As the time went by, and the inspection work increased, the two governments thought best to put up a Joint Inspection Board.

This was done to co-ordinate the activities of the inspection service of His Majesty's Government in the United Kingdom and of the Government of Canada with respect to the production, manufacture or assembly of munitions of war and supplies in the Dominion of Canada and the United States.

The Board was constituted as follows:—

- (a) Two members appointed by the United Kingdom government;
- (b) Two members appointed by the Canadian government.

The Chairman to be appointed from among the above members after consultation between the two governments.

The duties of the Board are to inspect and certify such classes of munitions and supplies as directed by either or both governments, and to act as agents of the governments in the performance of such duties. The Board was empowered to make regulations required for carrying out its duties. The inspections are to be made promptly and efficiently and provide the governments with all information and reports required. The Board has access to the records of the various departments of the two governments. Its officers communicate direct with the officers of the departments. All the facilities of the Department of Munitions and Supply are available to the Board.

The respective governments assist the Board and place at its disposal, without charge, all the necessary lands, buildings, inspection tools, gauges, apparatus, drawings, specifications and equipment; also such armaments, arms and ammunition as may be required. The personnel is composed of officers, clerks and employees from both governments.

Excepting permanent officials, clerks, etc., all others are employed for periods not exceeding six months; but their employment may be renewed from time to time.

The cost of Inspection services and of salaries of personnel shall be apportioned between the two governments according to the services performed on behalf of the said governments.

The object of inspection is to ensure that all stores that are purchased are fit for the use of His Majesty's service. This covers a very large amount of material. It ensures that the quality is correct; that the arms, munitions, parts, etc., are of correct pattern and size. Though the inspection is not concerned in the prices or values of stores, it establishes that the quality, the model, and the size are exactly what the war departments require. As a consequence it guarantees that public moneys are spent for the right things. Furthermore, it assures our armed forces that everything they use is up to requirements.

Comptroller of the Treasury's Office.

The duties and responsibilities of the Comptroller of the Treasury in connection with war estimates and expenditures are those prescribed by the Consolidated Revenue and Audit Act, 1931, together with the supplementary responsibilities placed on this officer by Order in Council P.C. 6695 of November 19th, 1940.

These duties commence when the estimates for the year have been voted by Parliament when applied to the regular appropriations for government services, but for war estimates and expenditures, the duties commence following the approval of the war estimates by Treasury Board. These are based on the war programme of expenditures, as approved by the War Committee of the Cabinet or the Governor in Council. It is the duties pertaining to control of war commitments and expenditures that are of concern and are described herein.

They may be divided into two categories:

- (1) Control of departmental commitments to ensure that they are kept within the amounts of the estimates authorized by Treasury Board for a particular service; and
- (2) Control of the appropriation granted by Parliament and allotted to the different war services by Treasury Board, to ensure that payments are not made in excess of the amount allotted to a particular service, that the expenditures have been authorized by competent authority and come within the provisions and amount of the particular allotment to be charged.

The War Estimates and Commitments.

The authorization of estimates by Treasury Board and the control over commitments are carried out thus: Following the approval of the proposed programme of expenditures by the War Committee of the Cabinet or the Governor in Council, the department prepares the estimates of funds required to meet this programme and submits them to the Treasury Board for approval. The submission is made in accordance with the details prescribed by the Board under the authority of Order in Council P.C. 6695 and the details provide the basis for establishing the allotments of the estimates that are necessary to control commitments.

When the Board has approved the estimates, a copy is forwarded to the Treasury Officer concerned who opens an account for the amount of each allotment of the amount authorized. This breakdown by allotments is arranged to enable Treasury to control and limit commitments to the amount authorized for each of the services or functions of the department. When the amount of an approved estimate is found to be inadequate, it is the duty of the department to obtain supplementary approval of the Cabinet and/or Treasury Board. In addition to the breakdown to allotments for Treasury control, arrangements are made to maintain such additional divisions in allotments as may be required to meet departmental needs.

The Department, having obtained the necessary estimates authority, proceeds to raise what is described as a contract demand for the construction of works or the purchase of equipment and supplies. The contract demand sets out details of the proposed purchase and the estimated amount involved. It is forwarded by the initiating director of the department to the Treasury officer for certification that the amount involved is within the amount of the approved estimate. After certification, the contract demand is signed by the deputy minister or minister, as required, and forwarded to the Department of Munitions and Supply for action.

Each contract entered into or order placed by Munitions and Supply is confirmed to the Treasury officer by a copy of the acceptance of tender which sets out the quantities, prices and certain essential conditions of the purchase. In addition, where it involves a formal contract containing detailed conditions beyond what is usually set out in the acceptance of tender, a copy of the contract accompanies the acceptance of tender, and when the amount involved is \$5,000 or over, a copy of the approving Order in Council must be available.

On receipt of the acceptance of tender by Treasury, the amount is entered against the contract demand, and, where it is at variance with the original estimate, the necessary adjustment is made in the original commitment on authorization of the department concerned.

Acceptance of tenders are then filed, to be held for verification on the invoices and other accounts received from the contractor.

Naturally, many large contracts for construction and equipment extend beyond the fiscal year in which they are placed. The allocation is made by the estimates to the year in which the payments will come in accordance with the requirements of P.C. 6695. This facilitates estimating for the annual cash requirements on which the war appropriation is based.

It is impractical to control commitments for pay and allowances and other personal expenses of the forces, as well as salaries and wages, in the same detail as applied to orders and contracts. Instead the control is obtained by establishing such liabilities at the commencement of the fiscal year, based on the personnel strength at that time. This is subject to revision each month to give effect to the necessary adjustments.

There is also the control exercised by Treasury Board and the Governor in Council over both Civil and Service establishments. The Civil establishment is submitted in detail, both as to numbers and rates of pay, for authorization and actual payment by Treasury is limited to these authorizations.

This completes the procedure followed in controlling and accounting for commitments chargeable to the war estimates of National Defence Services.

The War Appropriation and Expenditures

Next comes the accounting and controlling operations in connection with expenditures arising out of these commitments. All such expenditures are chargeable to the war appropriation voted each year by Parliament.

For obvious reasons the war appropriation, unlike the usual practice of providing separate detailed appropriations for ordinary government services, is voted in one lump sum. In order to maintain a closer administrative control, the responsibility for allotting the war appropriation to the different war services has been placed on Treasury Board as required by paragraph (7) of Order in Council P.C. 6695. The Board has followed a plan of allotting funds from the war appropriation to provide for two or three months' requirements at one time. The allotments are authorized on formal application of the department concerned and are restricted as far as possible to the amounts necessary to meet the estimated cash expenditures in the period to be covered.

The breakdown of allotments follows along the same general line as that used in the authorized estimates and it is to these allotments that expenditures are charged when the accounts are received for payment. Upon advice of the appropriation allotments being authorized, Treasury sets up an account for each allotment, but before any payment is made, the accounts are subject to a detailed audit by Treasury. For convenience, accounts may be considered under the following classifications:

- (1) Invoices for materials, supplies and equipment;
- (2) Progress and final estimates for work performed on construction and other similar contracts;

- (3) Pay and allowances, travel, transportation and other personal expenses of the forces;
- (4) Salaries and wages of personnel engaged to carry out work under the direction of the Defence Services, office and other administrative expenses.

All of the foregoing are audited and accounted for according to the prescribed procedure.

When the orders are for stores, equipment and other supplies, the contractor forwards all invoices to the Department of Munitions and Supply at Ottawa (except for local purchases, etc.). These invoices are passed by the Department to the proper officers in National Defence where they are linked up and reconciled with the inspection receipt voucher. The latter is the form completed by the inspection and receiving officers, and it must be available in all cases to check against invoices, otherwise the accounts cannot be certified and passed for payment. When this reconciliation has been made, the accounts are certified by the authorized officers of the Department of National Defence and passed to Treasury for payment.

The Treasury audit consists of:

- (1) Checking all additions and extensions and examining the accounts to see that they have been certified as to inspection and receipt by the authorized officers of the department;
- (2) Verifying that the invoices are in agreement with the acceptance of tender, both as to price and quantity. The account will not be passed for payment without an acceptance of tender.
- (3) Verifying that an Order in Council has been obtained where the acceptance of tender is for more than \$5,000.
- (4) Where the account is for the full amount of the order, the acceptance of tender is marked "paid" and transferred to the "paid" file;
- (5) Where the account covers only part of the order, the quantities delivered and value thereof are endorsed on the acceptance of tender and the latter is retained in the current file to await further accounts;
- (6) The account is then entered on the contract demand as a liquidation of the authorized commitment, entered in the accounts of the relative vote and allotment and then passed to the paying section, where a cheque is drawn on the Receiver General, signed by two duly authorized officers of the Treasury, and mailed to the payee.

Another class of accounts arising out of contracts made by the Department of Munitions and Supply is that for construction contracts where the work is large and involves considerable time to complete. The contract usually provides for progress payments, and, as a rule the department has a resident engineer on such works. He certifies the progress estimates as to the value of work performed to date. The account is then forwarded to the administrative engineers of the department for approval before it is passed to Treasury where it is audited, recorded and paid as described above.

There is another war service that is deserving of special mention. It is the Department of Munitions and Supply—the procurement agency for the Department of National Defence and the co-ordinator of Canada's industrial production for war purposes.

In the capacity of procurement agency, the Department of Munitions and Supply places all orders and contracts for supplies and services requisitioned by the defence services. While the majority of these present no special problem as

they are placed on a firm price basis, many contracts must be placed involving production on which there is no prior record of costs to serve as a guide in establishing a firm price. These, together with certain construction contracts are very often rush projects lacking definite plans and specifications or in isolated locations, are usually placed on some form of cost plus basis.

To meet the needs of the procurement officers in the matter of establishing costs and, at the same time, to fulfil the responsibilities placed on the treasury by this form of contract, a treasury cost accounting division has been established. It is the duty of the officers of this division to check costs of production or construction, as the case may be, to determine the actual cost. This is carried out in accordance with cost memorandum MS 433 and supplementary instructions which define the classes of expenditure that may be allowed as items of cost and prescribe the cost audit procedure to be followed.

The facts as disclosed by such audits are reported to the procurement officers of the Department of Munitions and Supply, and it is the duty of these officers to decide the price to be allowed under the contract. In arriving at the price, these officers may use their own discretion, except where the contract provides for a percentage or other fixed allowances as profit. For such contracts, the procurement officers must establish a price of cost, as determined by the treasury accountant, plus the authorized allowance for profit. In the case of certain large construction and production contracts, it is necessary to have resident cost accountants at the plant. They carry out a continuous check of financial operations, certify the progress claims and other financial reports and, in general, endeavour to protect against waste of public funds.

RECOVERABLE EXPENDITURES

From the expenditure operations, there arise, even under normal conditions, a number of recoverable items but, under present conditions, these reach substantial amounts. They include amounts repayable by United Kingdom, Commonwealth and Allied Governments for supplies issued from Canadian military stores, repairs and other services. Copies of the issue vouchers and service invoices are forwarded to the treasury where the charges are brought to account against the respective governments. Statements of these claims, with supporting vouchers, are rendered to the governments concerned at regular intervals and there is a close check to ensure that the accounts are kept, as far as possible, on a current repayment basis.

The foregoing describes the controlling and accounting activities as applied to national defence services.

CHECKS AND CONTROLS OVER PURCHASING IN THE DEPARTMENT OF MUNITIONS AND SUPPLY

(1) *Control of Contract Demands*

- (a) All contract demands received from the three armed services of the Department of National Defence are scrutinized immediately upon arrival by the purchase investigation division in order to verify proper signatures and dates. If it is indicated that any contract demand is incorrectly signed, and therefore not properly authorized, it is returned to the Department of National Defence for proper authorization.
- (b) Whilst the Department of Munitions and Supply purchases only on requisition from the Department of National Defence, it is, nevertheless, the duty of the officials of the Department, through the Deputy Minister, to refer back to the officers of the Department of National Defence any contract demands which appear to be extravagant or obviously in error. Also, when a specific product is requested on a

contract demand which the officers of the Department of Munitions and Supply know is not obtainable, or which, by substitution, can be replaced by a less costly substitute, such contract demand is referred back to the Department of National Defence by the Purchasing Branch concerned for reconsideration and possible amendment.

- (c) A master control of Contract Demands is maintained by the Progress Division which is maintained as a section of the Deputy Minister's office, but it is also the duty of each Purchasing Branch to ensure that there is no unnecessary delay in handling Contract Demands. This ensures that no Contract Demand or Requisition will be lost. The dual control also helps to solve the problem of time lag and consequent delay in purchase.

(2) *Control of Available Sources of Supply*

In order that all available sources of supply may be used by the Department, and that the total industry of Canada may be harnessed for war effort, and to insure that Government business is made available to all manufacturers and suppliers who can qualify, the following agencies are employed by the Purchasing Branches:

- (a) Constant reference to trade index books;
- (b) Consultation with the Plant Survey Division of M. and S.;
- (c) Information gained by the survey made jointly by the Canadian Manufacturers' Association and the Canadian Chambers of Commerce;
- (d) Consultation with Departmental Controllers, of which there are now ten in number;
- (e) List of suppliers as purged or added to in the light of experience.

(3) *Control of Tenders*

Each Purchasing Division from which invitations to tender are being sent out, provides itself with a supply of tender envelopes and blue tender stickers. In all cases where the tenders which are to be sent in by the tenderers can be placed in the tender envelope, the said envelope is sent out to the prospective tenderer with the invitation to tender.

Immediately tenders are received by the Department, they are delivered unopened to the Secretary. The Secretary causes the envelopes containing these tenders to be stamped with the hour and date of receipt by him, and they are placed, unopened, in locked metal boxes, one of which is provided for each day of the week, Monday to Friday, both inclusive, and bears the calendar date next to one corresponding to that day of the week. Tenders are sorted into these boxes in accordance with the "closing date" shown on each tender. A sixth locked box is provided in which are placed all tenders which reach the Department more than one week before the "closing date" set for the same. If any tenders reach the Department after the "closing hour" set for them, they are returned, unopened, accompanied by an explanatory letter from the Secretary's office. If it is necessary to open the envelope to ascertain the name and address of the tenderer, this may be done, but in such case the accompanying letter referred to states clearly that this is the only reason the envelope has been opened. One copy of each such letter is attached to the copy of the list of tenderers, which, as hereinafter noted, remains in the office of the Secretary, and one copy is sent to the Division Purchasing Agent concerned to be attached to the file.

In some cases it is necessary to open late tenders in order to extract drawings, etc., sent out with the invitation to tender and which are to be used over again. The Division Purchasing Agents concerned give the Secretary special advance

notice in such cases so that this may be done. The letter which accompanies the returned tender in any such case advises that this is the reason this envelope was opened.

The locked metal boxes above mentioned are locked with two keys. The Secretary designates two employees in his department to have possession of these two keys and they act as openers of tenders.

At 5 p.m. Eastern Daylight Saving Time on each day, Monday to Friday, both inclusive, the two tender openers above mentioned proceed to the vault in which the aforesaid locked metal boxes are retained, and they draw and open the box which bears the date of the day in question. They sort out, by tender number, all tenders contained therein, open the tenders and stamp them with the hour and date of opening, and both of them initial this stamp. They then prepare lists in duplicate of all the tenders, making a separate list for each tender number. These lists are not tabulations or schedules of the tenders, but merely lists of the companies who have sent in tenders under each tender number. When these lists are completed, the box, empty, is replaced in the vault and the date on it is changed to one week later. The tenders which have been sorted and listed are then placed in a further locked container in the vault. This box is equipped with but one lock and key.

The sorting and listing of all tenders contained in the locked metal box bearing the date of the current day must be completed by the tender openers and the tenders, accompanied by proper lists, in duplicate, must be relocked in the vault by them before they leave the building.

The last operation of each night, Monday to Friday, both inclusive, for the tender openers is to open the sixth locked box, previously mentioned, and transfer from it to the box which they have just emptied and tenders which, as of the coming morning, should properly be placed in such box under its changed dating.

In cases of tenders which are called to be accompanied by Deposits, the tender openers prepare the lists above mentioned in triplicate and show clearly on all copies of these lists the amount of the deposit sent in by each tenderer and the nature of same, i.e. whether certified cheque, Dominion of Canada Bonds, or Bonds of the Canadian National Railway fully guaranteed as to principal and interest by the Dominion of Canada. If any tenderer has failed to send in a deposit, or has sent in an insufficient deposit, or a deposit of a nature other than listed above, this fact is clearly stated opposite the name of each tenderer on the list in question. The name of the tenderer is not left off the list for this reason. The deposits are then detached from the tenders and attached, in order of listing, to the third copy of the list which is then locked up for the night with the other copies and the tenders.

All copies of both the duplicate and triplicate lists above mentioned are signed by both of the tender openers.

There may, from time to time, be cases where the "closing date" of a tender may be extended by the Division Purchasing Agent. In any such case the Division Purchasing Agent advises the Secretary of such extension quoting the tender number, the original "closing date", and the new "closing date". This advice is submitted in duplicate on Form No. M & S 517. The Secretary acknowledges receipt of the advice by having one copy stamped and initialled in the Tender Room and returned to the Division Purchasing Agent. The closing date is not considered to be extended until this acknowledgment is received by the said Purchasing Agent. When advice in regard to the new "closing date" is acknowledged, the Secretary arranges to have the locked metal box bearing the original "closing date" opened and if any tenders bearing this tender number have already been placed in this box, they are removed at once to the box bearing the new "closing date" or to the sixth box above mentioned if the new "closing date" is more than a week later than the date on which such action is being taken

Not later than 9 a.m. on the following morning, one of the tender openers opens the single-lock compartment in which the listed tenders were placed the night before and arranges for their distribution without delay to the Division Purchasing Agents concerned. The said purchasing agents check the list or lists of their respective tenders with the tender opener and sign one copy of each such list (two copies in the case of tenders which are accompanied by deposits) as evidence that they have checked the same (and the deposits, if any) and have found them accurate and that they have received the tenders in question. The date and hour of this signature is clearly shown on these lists. The tender opener then returns the copy of each such list which the Division Purchasing Agents have thus signed (two copies and the deposits in the case of tenders accompanied by deposits) to the Secretary.

(4) Control of the Award and Conduct of a Purchase

(a) A tabulation sheet is prepared showing the list of tenders, the amount of each and the promised delivery. It is required that this tabulation sheet be made up within twenty-four hours of receipt of the tenders by the Division Purchasing Agent from the tender opener.

(b) If the amount of the contract to be awarded is not more than \$2,000 and the award is to the lowest tenderer, the Division Purchasing Agent is authorized to make such award without further authority or signature.

(c) If the award is to be made to other than the lowest tenderer, and is under \$2,000 the Division Purchasing Agent places his recommendation to this effect on the tabulation sheet and such award must carry the signature of his senior officer, the Head of the Purchasing Branch.

(d) If the amount of the contract to be awarded is between \$2,000 and \$5,000, and the award is to the lowest tenderer, it must carry the signature of the Head of the Purchasing Branch.

(e) If the amount of the contract is between \$2,000 and \$5,000, and it is recommended that it be awarded to other than the lowest tenderer, the award must carry the signature of the Head of the Purchasing Branch and that of the executive assistant to the Deputy Minister.

The foregoing awards must be consistent with the contractor's ability to supply within the required delivery time, and according to the specifications of the purchased article.

(f) All purchases over \$5,000 require Privy Council approval. On all such, the Division Purchasing Agent is required to prepare a special form (D.M.S. 12) which recites the receipt of a contract demand from the Department of National Defence, by whom it is signed, that money is available, the quantities and the articles required, the number of firms invited to tender, the number of tenders received, the listing of the six lowest (or less), the recommendation for the proposed award, and the reasons for it. The D.M.S. 12 is used as a summary for submission for Order in Council. The D.M.S. 12, attached to the purchase file, must bear the signatures of the Division Purchasing Agent, the Branch Purchasing Head, General Purchasing Agent or the Director General of Purchases. When so signed, the file proceeds to the Purchase Investigation Division.

(g) It is the duty of the purchase investigation division to review all submissions for Privy Council authority for purchase contracts over \$5,000; to check such submissions and see that the statements contained therein are in accordance with the facts and that the necessary supporting documents are on the file. The files are scrutinized to ensure that the following factors have governed the purchase: where tenders have been received, to see that, all things being equal, the low tenderer is recommended for acceptance. When two or more firms quote equally low prices among those tendering, and there is no

evidence of a cartel, it is the duty of the purchase investigator to see that a fair distribution consistent with ability to supply within the required time is made. In the event of the low tenderer not being recommended it is the duty of the purchase investigator to see that there is a good and valid reason for placing the contract with other than the low tenderer. When there is competition, to see that all avenues of supply have been investigated. Where, for military urgency or other satisfactory reason, a repeat order is recommended, investigation is made to see if there had been competition on the previous order, and if the previous order was placed within a reasonable time of the repeat order recommended; also, in case of a repeat order that negotiations have been carried out by the division or branch purchasing agent with the company concerned in an effort to secure a reduction in price.

(h) Where it is recommended that contracts be placed where there is no competition, or to other than the lowest tenderer, or where only two firms have been asked to quote and have quoted, the recommendations are required to be approved by an executive assistant to the minister. In such instances it is the duty of the purchase investigator to appear before a committee composed of the executive assistants to the minister, of which one is chairman, and certain of the directors general of the department, to give or to secure whatever information is considered necessary by the committee before such submissions are approved by the chairman and his signature attached. This committee meets daily at 11.30 a.m. All D.M.S. 12's must bear the initials, on original and duplicate, of the purchase investigator or his assistant before submission to the secretary's branch of M & S for preparation of submission to Privy Council.

(i) The D.M.S. 12, accompanied by the file, then proceeds to the secretary's branch of M & S, which prepares a submission to Privy Council. From thence it is sent to the deputy minister for his signature on the D.M.S. 12, or reference back for further consideration, and to the minister for signature on the Privy Council submission, or reference back for further consideration.

(5) *Control of Contracts*

Contracts are written up on acceptances of tender of which there are two—M.S.2 and M.S.8. M.S.2 is used for all general awards; M.S.8 is used where unit price contracts are made covering supply of items over an extended period of time.

Where, in the opinion of the negotiating officer the terms and conditions on the invitations to tender form and acceptance of tender form are not adequate to cover a particular purchase by acceptance of tender, the acceptance of tender will contain the following clause:—

"A formal contract with respect to this acceptance of tender will be drawn later in a form satisfactory to the government containing the usual termination clause and such other terms and conditions (not inconsistent with the terms and conditions of this acceptance of tender) as the department may require."

The contractor is required to send in his signed acknowledgment copy, showing that he accepts the terms shown on the Acceptance of Tender—terms, time of delivery, etc. Various controls are exercised by the distribution of copies of the Acceptance of Tender. The copy of the Treasury Department gives them a signed document against which they can check supplier's invoices. Copies to the Department of National Defence and to M & S Follow-up Section ensure a check on delivery. A copy of the Traffic Controller provides for carrying facilities.

(6) *Contracts Placed by Other Than the Tender System*

Approximately 95 per cent in number of all contracts awarded is by the tender system, but there are some purchases made where the tender system cannot be used. The latter fall into the following categories:—

- (a) Where extreme military urgency requires immediate delivery.
- (b) Where the requirement is so large that the productive capacity of the entire industry must be harnessed.
- (c) Where the technical nature of the article required narrows the field of supply to one or two sources.
- (d) Where, in the interests of military secrecy, it is considered unwise to give plans and specifications to more than one or two firms, such to be chosen because of their aptitude in this particular type of manufacture.

In the foregoing, the Department incorporates into the contract one of four audit clauses in order that there may be a rigid control on profit made by the contractor.

(7) *Local Purchasing in Military Districts*

The controls and safeguards exercised in the central buying department at Ottawa are imposed on local Purchasing Offices wherever practical. The receipt and handling of a contract demand, calling for tenders, receipt and tabulation of tenders, and selection of successful tenderer, are standardized and conform to the rules laid down by the Department for departmental buying. Close supervision is maintained over the Local Offices and periodical inspections made by officials of the Department.

(8) *Control of Capital Assistance*

Capital Assistance is granted to a contractor when the article required has not previously been made in Canada, or perhaps a very small quantity only has been made, and it is desired to greatly expand the production. It is then found necessary to extend assistance to contractors for purchase of machinery, machine tools, jigs, dies, remodelling buildings, construction of new buildings or other projects. The Department has laid down strict rules for dealing with matters of this nature, the intention being to safeguard as much as possible the interests of the Crown and to see that the Department does not extend capital assistance to a contractor if another contractor can be secured who can do the job for less. Careful scrutiny is made of all companies to whom capital assistance is granted. The companies' profit and loss statements and balance sheets are very carefully examined.

The purchasing officers of the Department immediately contact the Plant Survey Division to get a list of the contractors competent to supply the article. The purchasing officers then consult these contractors to see if they can produce the required article and what deliveries they can make. The contractors submit details of additional machinery and equipment, and extension or alteration to buildings. These proposals are submitted in detail with cost estimates. A contractor is then chosen on the basis of his ability to do the work and to give delivery, with a minimum of capital assistance. The purchasing officer then makes a recommendation, four copies of which go directly to the Deputy Minister. The recommendation recites all the facts of the case, the amount of capital assistance required by the contractor and why; the nature of it—whether for machines, machine tools, buildings, etc.; the delivery promise; the fact that title to the machinery, etc., is to vest in His Majesty the King; the title of the buildings, and the total amount of the capital assistance required. This recommendation must bear the authorization and signature of the purchasing officer concerned, and of the Executive Assistant to the Minister. When

approved by the Deputy Minister, one copy goes to the Order in Council Branch of the Secretary's Division, where the proper officers prepare the submission to Privy Council. Another copy goes to the Comptroller's Branch, who makes application to Treasury Board to secure the necessary funds. Another copy goes to the Legal Branch for the preparation of the "Go-Ahead Letter." The fourth copy goes back to the originating branch. All four copies are required to be signed by the Deputy Minister.

(9) *Record of Government Property*

The Central Inventory Records Division of Munitions and Supply maintains a careful inspection and keeps adequate records of all machine tools and other equipment owned by the Crown in contractors' plants, in order that such may at any time be identified.

(10) *Control of Supply—Government-owned Companies*

In order that essential commodities might be procurable, eleven Government-owned companies were formed which function in one or more of the following channels as

- (a) Supervising Companies
- (b) Manufacturing or Construction Companies
- (c) Commodity Procurement Companies
- (d) Purchasing Companies.

They are

Allied War Supplies Corporation
 Federal Aircraft Limited
 Research Enterprises Limited
 Small Arms Limited
 Wartime Housing Limited
 Fairmont Company Limited
 Melbourne Merchandising Limited
 Plateau Company Limited
 Citadel Merchandising Company Limited
 Wartime Merchant Shipping Limited
 War Supplies Limited

There is the same degree of supervision over Government-owned companies as over the branches of the Department, except that in the case of the companies a Board of Directors assist the Department in the control of the enterprise.

(11) *Control of Essential Commodities, Industries, and Services*

In order that there might be an adequate supply of essential commodities and services, ten controllers were appointed to have control over the following commodities and industries: timber, machine tools, metals, motor vehicles, oil, power, steel, ship construction and repair, transit, and chemicals. The foregoing controllers form the Wartime Industries Control Board, holding formal meetings twice monthly. Each controller reports on his particular functions and problems, and what he proposes to do or has done to carry out his duties. Closely allied with the work of the Wartime Industries Control Board is the work of the Priorities Branch of the Department of Munitions and Supply. This Branch, under its Director General, deals with matters of priority for all essential raw materials and components.

(12) *Control Over Travel of Staff*

A rigid control is kept over travelling expenses. All expense vouchers dealing with the administration of the Department pass under the scrutiny of the Comptroller's Branch. It is required of officials who travel on departmental

business that they fill out a form known as "Notice of Intention to Travel". This form must show where he is going, when he proposes to leave, when he will return, the estimated cost of the trip, where he can be reached at any time during the trip, and the method of travel, and must be approved by an official of the Deputy's Office.

(13) *Control of Secret Correspondence in the Department*

All mail received by any office or officer of the Department which is marked "secret" or "confidential" is forwarded at once to the officer in charge of Central Registry.

It is the duty of this officer to open and index all such correspondence and to create special "secret" files for same. He keeps a special record of such files. He sees that the file is then forwarded, under sealed cover, to the proper officer of the Department authorized to deal with it.

A special green cover is used for all such secret files. These files are retained in a special cabinet in Central Registry's office and are released only on the authority of those designated by the Minister or Deputy Minister as competent to deal with such matters. When thus released, they must at all times be passed in a sealed envelope between those authorized to deal with them and Central Registry.

A list of officers of the Department to whom authority is given to draw secret files is maintained by the officers in charge of Central Registry.

(14) *Insurance and Fire Prevention Control*

The Department has created a division known as the Insurance and Fire Prevention Division, which handles matters relating to insurance, and is at present engaged in the inspection of plants from the point of view of protection against fire.

(15) *Control of Labour*

The Departmental Labour Division maintains liaison with the Department of Labour and is represented at meetings of the Inter-departmental Committee on Labour Co-ordination. The division also maintains liaison with the Chairman of the National Labour Supply Council and the Department of National War Services.

In order to assist contractors in avoiding labour difficulties, the Division conducts many interviews with contractors relating to labour matters, and has had successful interviews with labour leaders for the same purpose. The Division receives and secures all invoices relating to reimbursements to contractors for additional labour costs. All invitations to tender state as a term of the contract that the contractor must conform to the labour laws and conditions as required by the Department of Labour, and further declaration is required from the contractor regarding the rates of wages, hours of labour, number of male and female employees under 18 years of age, hours of overtime, and rates of overtime, etc.

Auditor General's Office

Section 39 of the Consolidated Revenue and Audit Act, 1931, provides that "for the more complete examination of the accounts of Canada," an Auditor General be appointed. Section 44 directs that he shall examine, periodically, the accounts of all branches of the public service, and take such further steps as he deems necessary to satisfy himself that such accounts are faithfully and properly kept and that moneys were expended for purposes for which the grant was intended to provide, while section 46 gives directions as to the accounts which shall be certified and reported to the House of Commons.

The war has not changed the audit duties of the Audit Office, but it has materially increased the volume of transactions to be audited. These duties are:

1. An accountancy audit, which is an investigation of the smaller details to see that blunders are not made in arithmetic and that the proper vouchers and certificates have been obtained to support the payments.
2. An appropriation audit, the object of which is to make certain that the expenditure is charged to the proper parliamentary grant, so as to ensure parliamentary control.
3. An administrative audit, to make certain that the payment is not in conflict with a statutory or executive direction, contract or agreement.

Audit Office staffs work in close contact with the war departments and the Treasury and have access to all working records and files. The auditors do not participate in administrative decisions which lead to expenditures.

The pre-war custom of pre-auditing salary payrolls is not followed, but post-audits have not disclosed that the public interest has suffered by reason of the change.

Payrolls on works projects are subjected, where practicable, to local examinations. Such examinations are made, generally, by officers of the Treasury, the Audit Office periodically testing the efficiency.

Service pay and allowances are subjected to internal check by the Pay Corps and the Treasury. The Audit Office makes tests to ascertain if paymasters have carried out their duties and if the District Paymaster and the Treasury have adequate internal audit practices.

A copy of each order for goods is sent to the Audit Office. After payment is made, the Audit Office audits for authority, then verifies that the quantities listed are properly certified as having been delivered and that they conform to the requirements of the contracts. The accuracy of the arithmetical calculations is tested and, finally it is seen that the cost has been charged to the proper allotment. In the case of a works contract, various other steps have to be taken, such as checking the security deposit, the reports of the engineers, etc., and local audits are sometimes made. Some contracts provide a maximum price which is subject to downward revision after examination of costs of production. The determination of what is fair and reasonable is by the department. The Audit Office takes no part in the decision. The cost audit is performed by the Treasury, but in the drafting of Treasury directions to cost auditors, the Audit Office participates. The phrase "fair and reasonable" has not resulted in any uniform standard of measurement being devised whereby reasonableness may be automatically determined.

With respect to the audit of payments arising out of "target" and "cost-plus" contracts, the Treasury assigns field auditors, and Audit Officers periodically make spot examinations to ascertain if the resident accountant is efficiently carrying out his duties.

Thirteen companies have been incorporated under the authority of the Munitions and Supply Act. A monthly examination of the accounts is made in the offices of the companies by the Audit Office. A copy of the annual reports is filed with the Minister of Munitions and Supply. The cost of audit is charged to the companies.

The Audit Office audits the accounts of the Joint Inspection Board, acting for both the Canadian and United Kingdom governments. The practices followed are similar to those applicable to other expenditures.

Overseas, an Audit staff deals with Canadian Government expenditures in the United Kingdom. It also makes such direct examination of the records of the United Kingdom Government as is considered necessary to establish that its claims have been properly compiled.

The cost of audit of United Kingdom accounts in Canada is refunded by that Government.

ORGANIZATION AT NATIONAL DEFENCE HEADQUARTERS

CIVILIAN PERSONNEL

The Deputy Minister is the permanent head of the department. His duties are comparable to those of the Assistant Financial Secretary of the War Office. The Deputy Minister, subject to the general departmental duties prescribed for him by statute, is charged with the general control of the administration of the Department of National Defence, and of the conduct of official business. He attends to all financial matters pertaining to the department. The receipt, registration and distribution of all official correspondence are received in his department. He controls the civil, clerical and subordinate staffs. All parliamentary and legal business, including proposals for legislation and submission to the Governor in Council are under his jurisdiction. Formal communications to the Department of State, public offices and the outside public are made from his office. He also controls printing and stationery. In the absence of the Minister, the Deputy will act for him in all matters of ordinary business.

His office consists of the following divisions:—

- (1) His own immediate staff.
- (2) The Assistant Deputy Minister.
- (3) The Financial Superintendent.
- (4) The Secretary and Director of Civilian Personnel.
- (5) The Judge Advocate General.
- (6) The Stores Audit Branch.
- (7) The Printing and Stationery Branch.
- (8) The Library.
- (9) Central Registry.
- (10) Stenographic Pool.

These branches are staffed by civilian personnel and perform the functions of each.

Since the outbreak of war, large numbers of new personnel were taken on who were unfamiliar with the departmental procedure and the task of training them was the responsibility of a comparatively few highly trained permanent officers of the department. The classification and rates of pay of the civilian personnel are determined by the Civil Service Commission and approved by the Treasury Board.

SERVICE PERSONNEL

Introduction

Here is a brief description of the basis of organization of National Defence Headquarters. This organization has been evolved gradually over a long period in the light of experience and of British War Office practice. It is believed that the organization is sound though it has necessarily been expanded in the course of the past year and a half to meet rapidly changing conditions. Appropriate steps, have been, and will continue to be, taken, not only to discover weaknesses, but also to devise improvements so that the entire organization will continue to function economically and efficiently.

Functional Organization of National Defence Headquarters.

National Defence Headquarters is the planning, controlling and directing centre of the Canadian Army. Although, as a matter of principle, responsibility and authority are delegated to subordinate headquarters to the greatest extent consistent with efficient administration, any increases in the size or activity of the Army are reflected in the demands upon its headquarters.

During a period of organization and development such as has existed since the beginning of the war, and because of changes resulting from experience

gained during the war, these demands have been, and are, disproportionately great. They would in fact impose a strain on any organization in similar circumstances.

The evidence submitted to the committee with reference to the organization, duties and personnel at headquarters show that only a nucleus of permanent force personnel remains, and that the organization consists largely of personnel from units of the active army, and civilians. Although carefully selected for their administrative and professional skill, in addition to their military knowledge, it takes time to become familiar with headquarters procedure and conditions. This is inevitable in an organization working under high pressure with personnel constantly changing and increasing.

General Plan of Organization

The organization of headquarters as the planning, directing and controlling centre of the Canadian army reflects all the functions and activities of the army. It may be briefly described in the following general terms:—

(a) The General Staff Branch:

Employment of the Army

- (1) The co-ordination, and determination of policy, regarding war organization, estimates and finance, communications, establishments and orders of battle, wastage and reinforcements, armament, ammunition, transport, and other equipment.
- (2) Selection and administration of general staff, selection of officers for appointment to commands, co-ordination of selection of officers for staff appointments.
- (3) The direction of military operations and intelligence.
- (4) The planning and organization of military training.
- (5) The use, in combination, of the personnel, materials and facilities provided and maintained by other branches in order that the army serves the purposes for which it exists.

(b) The Branch of the Adjutant-General:

Personnel

The provision of personnel of the numbers and kinds, and at the places and times required, and the maintenance of their welfare as individuals, including medical and dental services, recreation, educational and spiritual welfare, pay, promotion and other awards, conduct and discipline.

(c) The Branch of the Quartermaster-General:

Quarters, Supply and Transport

The provision and maintenance of buildings, lands, fortifications and other permanent installations, the provision of food and other supplies and the furnishing of transportation services, including the provision and upkeep of the means of furnishing them.

(d) The Branch of the Master-General of the Ordnance:

Equipment

The research, development, procurement, distribution and maintenance of armament, ammunition, technical stores and general stores, not provided by the Quartermaster-General.

This form of organization and division of functions is the result of long experience both in Canada and in the United Kingdom. It groups under each branch, activities which demand similar technique, skill and experience; and functions whose responsibility must be closely related for efficient performance.

The Chief of the General Staff, from the nature of his functions, as well as explicitly, acts as the "general manager" of the army. He determines what the army is to do, in accordance with government policy and tactical requirements, and how it will do it. He makes known his requirements and plans to the head of the other branches, and they plan and direct the functions for which they are responsible in accordance with those plans and requirements.

Organization of Branches.

The Branches are organized in "Directorates", each of which is responsible to the head of the Branch for certain functions. The allotment of functions to Directorates is similar in principle to that among the Branches. They are so grouped that related subjects, or duties which require specialized knowledge or skill, are brought under common direction. This is best demonstrated by the following references to the present distribution of functions by Directorates.

The General Staff Branch.

As the source of the Army's military policy, the General Staff Branch is required to assemble and collate continually all current data on matters requiring decision. It is organized as follows:

(a) Military Operations and Intelligence.

Home defence, internal security, troop movements, operations at home and abroad, censorship, liaison, maps and surveys, foreign intelligence, codes and ciphers, field security, etc. In brief, the collection and collation of current information, the determining of strategy and the planning of military operations.

(b) Military Training.

The training of individuals and of units and formations for the duties to be assigned to them; basic and specialized training, training areas, manuals and libraries, instructional cadres, translation, qualifications, trade schools and courses, training finance.

(c) Staff Duties.

The performance of staff work which is necessitated by the responsibilities assigned to the Chief of the General Staff includes co-ordination of the functions of other branches and of General Staff Directorates, within the training and operational plans and requirements of the Chief of the General Staff. These co-ordinating duties involve preparation, amendment, development and issue of war establishments and orders of battle, organization of Army units, special establishments, general policy and priority of distribution as regards weapons, ammunition and equipment, inspection and progress reports, liaison duties, estimates, finance, signals and intercommunication.

The Branch of the Adjutant-General.

(a) Organization.

The organization, recruitment and reinforcement of units and formations required by the plans of the General Staff, conduct and discipline of other ranks, and related administrative matters.

(b) Personal Services.

Appointment, promotion, retirement and transfer of officers and the maintenance of personnel records.

(c) Paymaster-General.

Payment of pay and allowances, dependents allowances, pay documentation, war savings certificates.

(d) *Director General of Medical Services.*

Supervision and co-ordination of medical services, medical training, hospitalization, medical boards, medical equipment, nursing service, hygiene, sanitation.

(e) *Director of Dental Services.*

The provision of dental services, dental documentation, dental stores, supplies, training.

(f) *Chaplain Services.*

Provision of religious services and ministrations to the spiritual welfare of Army personnel.

The Branch of the Quartermaster-General.(a) *Engineer Services.*

The design and construction, equipment and maintenance of military buildings, lands and fortifications, armouries, arsenals, internment camps, magazines, ranges, engineering equipment and specifications, drafting.

(b) *Supplies and Transport.*

General policy and supervision of all supply and accommodation, food, fuel, rations, by-products, quarters, messes, waste, transportation and travelling.

(c) *Movement Control.*

Sea transport, unit movements in Canada, accommodation on transports, transport liaison and schedules.

The Branch of the Master-General of the Ordnance.(a) *Technical Research.*

Research and development, not including actual design, of signal equipment, weapons, instruments and other warlike equipment, not including vehicles.

(b) *Technical Stores.*

Provision and distribution of signal equipment, weapons, instruments, ammunition and other technical equipment.

(c) *General Stores.*

Provision and distribution of clothing and personal, barrack and other equipment not of a "warlike" nature.

(d) *Mechanization.*

Development, procurement and distribution of all vehicles and spare parts, except R.C.A.S.C.

(e) *Mechanical Engineering.*

Repair and maintenance of all types of military equipment, except R.C.A.S.C. vehicles.

(f) *Administration.*

Compilation of Scales of Issue and Mobilization Store Tables, in accordance with authorized War Establishments and the plans of the General Staff, and the administrative co-ordination of ordnance services.

(g) *Accounting.*

Maintenance of records of receipt, issue, recovery and disposal of all ordnance stores.

The Branch of the Judge Advocate-General.

Army legal and judicial matters, courts of inquiry and courts martial, legal opinions, the administration of discipline.

Absence of Overlapping.

The functions of each Directorate are a part of the functions of the Branch and indicate no overlapping either within the Branch or between Branches. In every case there is a clear definition of functions and responsibilities to facilitate Army administration.

Recent Changes.

16. When the present Chief of the General Staff was appointed in July, 1940, he was explicitly authorized by the Minister, in connection with his function of coordinating the duties performed by all four branches, to investigate and make recommendations regarding organization and allotment of duties. Under his direction a thorough review of the entire organization was made.

New Directorate of Staff Duties

Foremost amongst the major changes of the past year was the creation of the Directorate of Staff Duties in the General Staff Branch on 11th September, 1940. Previously both the Director of Military Operations and Intelligence, and the Director of Military Training and Staff Duties had incidentally performed detailed work in connection with the responsibility of the Chief of the General Staff for conducting business affecting more than one branch. The formation of the Directorate of Staff Duties provided specifically for this most important work and in this respect and others freed the Directors of Military Training and of Military Operations and Intelligence for their principal and vital functions. Perhaps no other single change in the headquarters organization could have been as well calculated to further the coordination of the efforts of the several branches.

Command and Staff Appointments

In addition to organizational improvements, steps have been taken to ensure that the most qualified and suitable officers are selected for command and staff appointments. Since the 15th October, 1940, a Senior Selection Board and a Junior Selection Board have been constituted at National Defence Headquarters, and in addition, there is a District Selection Board in each Military District.

The Chief of General Staff is assisted by a Vice Chief and an Assistant Chief of the General Staff. In general terms they are assistants and advisers to the C.G.S. and in his absence, or by mutual understanding, they act for him. The functions of the Army with which each is concerned are clearly defined so that all matters which must be referred to the C.G.S. or on which he initiates action come within the province of one or the other of them.

Thus the personal duties of the Chief of General Staff are performed, in a sense, by a three-man combination. The mobility and availability of the C.G.S. are increased, the study and consultation which his duties involve are extended, prompt attention to current matters involving his approval is facilitated, and continuity of policy is assured.

Conclusion

The active, organic nature of General Staff Organization, under continual supervision and control permits ready adaptation to quickly developing needs; and also avoids duplication in the efficient performance of staff duties by highly-trained, qualified, experienced and appropriate personnel.

It is considered that the foregoing description will afford a general view of staff organization.

Pay and Allowances

The only recommendation your subcommittee thought fit to make concerning Pay and Allowances was the enlargement of the Committee appointed to obtain coordinated action respecting amendments to financial regulations. Downward changes to pay and allowances would not be fair to those enlisted or commissioned. They rely on the tacit understanding between the country and themselves that they will receive the pay and allowances existing at the time of their enlistment. It was also believed that decreases of pay and allowances for those enlisting or commissioned in the future would do more harm than good. Anything that could create dissatisfaction in the Armed Forces should be avoided.

Pay and allowances of the Armed Forces are at the rates prescribed in the Financial Regulations and Instructions, as approved by the Governor in Council. The Daily Orders, Part II, published each day by the Unit Officer commanding are the authority to place each member of the Forces on or to strike him off pay. The Orders also prescribe the rank within the limits of the Unit's authorized establishment and entitlements to tradesmen's or other special rates of pay and allowances. These Orders, when interpreted according to the rates laid down in the Financial Regulations and Instructions, provide the complete authority for the pay and allowances of each member of the Force. Each Unit has a paymaster or accounting officer who is charged with the duty of compiling the pay and paying the Forces. The paymaster is supplied with accountable cash advances obtained from the District Treasury officer for this purpose. The amount advanced at any one time approximates the requirements for two weeks' pay. Pay is distributed twice a month from acquittance rolls, prepared by the Unit paymaster; each member signing opposite his name for the amount of pay received. Acquittance rolls, accompanied by Daily Orders, Part II are forwarded by the Unit paymaster to the District Treasury officer as an accounting for advances previously made and are followed by the month-end detailed payroll, which sets out the details of how each man's pay was computed.

In the District Treasury office, a pay ledger account is kept for each member of the Force to which the payroll is audited when received. Observations are raised on all errors found in the course of the audit and those are sent on to the Unit paymaster so that the necessary adjustment may be made in the next pay period. The ledger account goes with the man when he is transferred from one district to another, or overseas.

While members of the Forces receive their pay in cash, any assignments of pay to dependents or for other authorized purposes are paid from the Treasury office for the Dependents' Allowance Board in Ottawa. Each applicant for dependents' allowances must assign, at least, 15 but not more than 20 days' pay, otherwise an allowance may not be granted.

Applications for dependents' allowances and assigned pay documents are received by the Unit paymaster. Marriage and birth certificates are also submitted by the applicant so that the paymaster may verify the information given on each application. They are then forwarded to the District Treasury officer, where they are entered in the pay account of the applicant and forwarded to the Treasury Branch, Ottawa. Here, the applications for wives and dependent children are placed in payment immediately and those for other dependents are forwarded to the Dependents' Allowance Board for award before payment may be made. While all necessary precautions are taken to protect against payments to persons not entitled to an allowance, an equally important check is to see that the assignment from pay is deducted by the Unit paymaster and that payment is stopped when a man is struck off strength. While overpayments do occur, every effort is made to recover and the procedure laid down to protect against overpayments appears to accomplish all that can be expected.

The employment and rates of pay of civil staffs are controlled by the special regulations made by Treasury Board when the war started. The Treasury officers check to see that the necessary authority has been obtained and pay the salaries and wages, except where it is not convenient to pay from Treasury points, the engineers in charge are supplied with cash advances to pay the men. Accounting must be submitted in detail for all such payments and a Treasury officer makes occasional checks in the field to establish that there is no payroll padding.

All of which is respectfully submitted.

J. T. THORSON,
Chairman.

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SESSION 1942

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HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 1

TUESDAY, MAY 5, 1942
THURSDAY, MAY 7, 1942
FRIDAY, MAY 29, 1942
FRIDAY, JUNE 26, 1942

Including

FIRST AND SECOND REPORTS TO THE HOUSE

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

7 1942

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, April 30, 1942.

Resolved.—That a Select Committee be appointed to examine the expenditure defrayed out of moneys provided by parliament for the defence services, and for other services, directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, and that notwithstanding Standing Order 65 the committee shall consist of twenty-four members, as follows:—Messrs. Abbott, Bercovitch, Black (*Cumberland*), Boucher, Bradette, Chevrier, Cleaver, Douglas (*Weyburn*), Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), Mayhew, McIlraith, Picard, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Winkler, with power to send for persons, papers and records; to examine witnesses and to report from time to time to the House.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, May 5, 1942.

Ordered.—That the said Committee be empowered to determine the manner and extent to which the evidence and proceedings shall be printed or typed, and that where the same are ordered to be printed there be printed 500 copies in English and 200 copies in French and that Standing Order 64 be suspended in relation thereto.

Ordered.—That the said Committee be given permission to sit while the House is sitting and to adjourn from place to place.

Ordered.—That 8 members of the said Committee constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.

Ordered.—That the said Committee be empowered to appoint subcommittees, to fix the quorum of any such subcommittee and to refer to such subcommittees any of the matters referred to the Committee; that any such subcommittee so appointed have power to send for persons, papers and records and to examine witnesses; to sit while the House is sitting, and to adjourn from place to place, and to report from time to time to the Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

FIRST REPORT

TUESDAY, May 5, 1942.

The Special Committee on War Expenditures begs leave to present the following as its First Report.

Your Committee recommends:—

1. That it be empowered to determine the manner and extent to which the evidence and proceedings shall be printed or typed, and that where the same are ordered to be printed there be printed 500 copies in English and 200 copies in French and that Standing Order 64 be suspended in relation thereto.

2. That it be given permission to sit while the House is sitting and to adjourn from place to place.

3. That 8 members of the Committee constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.

4. That the Committee be empowered to appoint subcommittees, to fix the quorum of any such subcommittee and to refer to such subcommittees any of the matters referred to the Committee; that any such subcommittee so appointed have power to send for persons, papers and records and to examine witnesses; to sit while the House is sitting, to adjourn from place to place, and to report from time to time to the Committee.

All of which is respectfully submitted.

ALPHONSE FOURNIER,

Chairman.

SECOND REPORT

MONDAY, June 29, 1942.

The Special Committee on War Expenditures has received from its subcommittee No. 3 the following report on "Munitions Contracts" which it has considered and adopted with amendments as its Second Report to the House:—

FIRST REPORT OF SUBCOMMITTEE NO. 3

This Committee was set up on May 7th and was directed *inter alia* to enquire into all matters relating to contracts and production and, in addition, if considered expedient, to resume the enquiry into the following matters:—

(a) Headquarters establishments and Pay and Allowances.

(b) Financial controls over Army, Navy and Air Force expenditures.

The Subcommittee begs leave to present its first report of findings and recommendations with respect to these subjects.

MUNITIONS CONTRACTS

The Department of Munitions and Supply is essentially a procurement agency. It procures for the Army, the Navy and the Air Force of Canada, the United Kingdom, the United States and all the other united nations commodities

and materials required by these. It is not an originating agency, but essentially a procurement branch. It may be divided into four main groups:—

1. The wartime industries control group.
2. The production group.
3. The purchasing group.
4. The Crown companies group.

The Wartime Industries Control Group, under the Chairmanship of the Priorities Officer, is in complete control of the supplying and allocation of commodities and materials essential to the war effort. This Group sees to it that the raw materials which are required or may be required for war purposes are not used by civilians. They place controls over civilian consumption and find ways and means of increasing the production of raw materials.

The Production Group do not produce themselves. They cause things to be produced. They make arrangements for the production of material that is not ordinarily produced in this country, such as aircraft, merchant and naval ships, tanks, guns, ammunition, etc. This Group has a number of directors-general, whose duty it is to organize for maximum production the branches over which they preside. The main subdivisions of this Group are: aircraft production, ammunition, arsenals and small arms ammunition, automotive, gun, tank, chemicals and explosives, gauge and cutting tools, naval armaments and equipment, industry and sub-contract co-ordination, and ship building.

The third group is the purchasing group. Its function is to purchase for the three services, the Army, Navy and Air Force, the commodities generally required by them. Its object is the procurement of military stores and it handles generally any commodities which are ordinarily produced in Canada and can be taken off the shelf. It purchases commodities such as food, clothing, boots, shoes and all things generally that are normally produced in this country. These commodities are purchased according to sound commercial company practice.

The Crown companies have been incorporated and certain tasks have been delegated to them by the Minister, i.e., the Merchant Cargo Ship program falls under the jurisdiction of Wartime Merchant Shipping Limited, the procurement of rubber under Fairmont Company Limited, silk, under Plateau Company Limited, machine tools under Citadel Merchandizing Company Limited. There are at present twenty such companies.

Intimately associated with the Production Group is the Production Committee, which has been set up recently. Its purpose is one of co-ordination. It is its business to see that the Directors-General of Production work towards a common goal and by means of discussion arrive at common policies. These directors from time to time meet in committee and devise ways and means to obtain production as fast, as efficiently, and as satisfactorily as possible. Another function of the production committee is to act as a Board of Review on new projects.

The Production Group is not responsible for specifications. This is the prerogative of the Army, Engineering and Designing Branch, which is limited in its functions to certain parts of the automotive production activity and the tank production activity. The specifications in general are those of the Army, Navy and Air Force of Canada, or the Army, Navy and Air Force of Great Britain or the United States. It is the duty of the Production Group to see that the contractor produces the materials according to the requirements of the Inspection Board. There has been set up what is known as the Inspection Board of the United Kingdom and Canada, which is an independent body, not connected with the Department of Munitions and Supply. In the Munitions and Supply Department is a branch known as the Munitions Contract Branch, whose object is to supervise the granting of munitions contracts. A few years prior to

the war, a thorough canvass was made of the manufacturing facilities of this country, with particular reference to the requirements of the Army and this Department fell heir to that national survey. Munitions contracts are, where possible, given by tender and the competitive system is used to establish prices, but as will be seen later, this is not always practical.

In cases where it is practical the manner of procedure in the Munitions Contract Branch is as follows:

The Production Branch of the division concerned is asked for a list of the names of possible manufacturers of the particular material or commodity—a list of, say, six or eight or more manufacturers is then given. Afterwards the Inspection Board is asked to forward to these six or eight, or more, manufacturers, the drawings and specifications. To them is also sent a two-page tender form, which is an invitation to bid on the job, on or before a specified date.

When the tenders arrive, they are sent to the tendering room, which is in charge of a reliable officer, and are not opened until five o'clock on the last day for the receipt of the tenders. The opening of the tenders is presided over by the officer referred to above, in his presence and in the presence of two others, who later certify that the tenders were opened and were sealed when opened. Tenders are then tabulated, setting out the name and address of the contractor tendering, together with the price, the date of delivery and any variation from the specifications which might be suggested by the tenderer. After tabulation, the tenders are submitted to the Production Branch concerned. This Branch decides whether it is satisfied that the lowest tenderer can do the job and make delivery.

In general, the contract is awarded to the lowest tenderer. Occasionally, however, although the lowest tenderer may be able to do the job, he might be loaded up with other work. In such case, if it is felt that lowest tenderers will be unable to produce the work in the time required, then the second or the third lowest tenderer is considered. The practice is to go back to the second or third lowest tenderer and ask him if he will not reduce his price to that of the first lowest tenderer. Sometimes this is done but often the Department does not succeed in getting the second or third lowest tenderer to reduce his price to that of the first lowest tenderer. Occasionally, if there is a wide margin between the lowest tenderer and the second and third lowest tenderer, the Munitions Contract Branch may suggest that the price cannot be accepted without having an audit made of the actual costs after completion of the job.

If the audit discloses that an unfair and an unreasonable profit has been made, a certain portion of the profit is turned back to the government. There are various forms of audit clauses used for this purpose. The substance of these audit clauses is that the contractor agrees with the government that at an appropriate time the government may send in its auditors to check thoroughly the costs of doing the work, and it is agreed that in the event of the auditors discovering a spread between the price quoted and the actual cost, which is too high, the contractor covenants with the government that he will return that part of the profit which is regarded as unfair or unreasonable. Some of these audit clauses stipulate that 5 per cent is deemed to be a fair and reasonable profit. Appendix I to this report lists the four types of audit clauses in use.

In many cases, however, it is not possible to obtain competitive bidding. For instance, the Production Director-General may have decided that there is only one company that can do the job satisfactorily. This happens in certain cases in connection with guns, tanks, small arms, ammunition and the like. There must, in a case such as this, be a determining factor, which is known as entrepreneurial ability or capacity. The only way to make a decision is to rely upon the judgment of the Director-General in charge, combined with the judgment of the Production Committee. It is not the possession of the plant, nor the machinery or buildings, which is the determining factor, but rather the capacity, the experience and the ability of the management.

The Production Committee, after having carefully considered the ability of the company to perform the task, and having accepted it, there is then the all important question of the price. How is the price to be fixed when the cost to manufacture the item is not known? The first step as a rule is to ask the manufacturer for his quotation. If it is an item which has never been manufactured in Canada, it will be quasi impossible for him to submit a price. He does not know what it will cost to manufacture the article, therefore he cannot give a price. Conversely if he is able to give a price, the department cannot accept it because it too does not know what it will cost. Generally what is called the "Target Price" method is suggested.

If the price of the British manufacturer converted into Canadian dollars is, say \$2 per item, the department suggests that for the first 10 or 20 per cent, the manufacturer will be paid his cost plus a small profit, which prices are subject to audit. If the manufacturer becomes efficient and is able to produce for less than \$2, he is given his costs, plus profit of say 5 per cent, plus a quarter or a half of all the amount by which the actual cost is less than the target. This is an inducement to the manufacturer in order to obtain efficiency, and it is always subject to audit.

It follows from this that there may be several types of contracts.

(a) *Fixed Price Contracts*

These contracts are on an agreed set price not subject to change, regardless of what the contractor's costs may be; that is, if he loses it is his loss; if he is able to manufacture more cheaply, it is his gain.

Fixed prices are usually arrived at on the basis of competitive tender. Nevertheless, even on fixed price contracts sometimes costs of a company are audited so that in future the lower fixed price may be arrived at if it is found that the contractor is making too much profit.

(b) *Ceiling Price Contracts*

These contracts are usually entered into only when the department is not satisfied as to what a proper price should be and are subject to revision downward only if it is found that the contractor is by virtue of the ceiling price receiving cost plus a profit which is deemed by the minister to be in excess of what is fair and reasonable. The contractor's costs are audited and although the contract provides that he is to receive this ceiling price it is on the understanding that the price may be reduced if a profit is in excess of a fair and reasonable price or an agreed percentage.

(c) *Target Price Contracts*

In this case a target price is set, that is, something for the contractor to shoot at. The contractor is granted his costs of production plus a profit. If his costs are less than the target then he gets his cost plus the said fixed fee plus a percentage of his savings. If his costs exceed the target then he gets his costs and his fee or profit is reduced. Example: Suppose the target is \$100 and the agreed fee per unit is \$5. If his costs are exactly \$100 he will get \$105 per unit. If his costs are \$80 he would get \$80, plus \$5, plus say, one-half of his savings, that is \$10 so that in total he would get \$95 for the article. If his costs were \$110 he would get his costs but his fee would be reduced to, say, \$2.50, so that he would get \$112.50.

(d) *Cost Plus a Fee*

This type of contract is divided into two classes, namely, cost plus a management fee and cost plus a fee per article. In the cost plus a management fee, this is usually where a contractor is providing the management for a

government owned plant. It provides the management and accordingly gets the costs of the operation plus a straight management fee of so much per year. For example, costs plus \$50,000 a year. In the cost plus a fee per article, he may still be operating a government owned plant, for example, a tank arsenal, and get the complete cost plus, say, \$2,500 per tank.

(e) *The Variation of the Cost Plus Fixed Fee Scheme*

The variation is the addition of an incentive for reducing the cost below a certain level. For instance, if the cost of a gun mounting is \$6,000, the contractor gets a fixed fee of \$180, but if he succeeds in getting the cost down to \$5,500, he will receive the original \$180 and an additional \$180 more for reducing his costs. It is possible that under this scheme, one-quarter or even one-half of what he saves he will receive.

(f) *Cost Plus Percentage Scheme*

This is the least desirable of all contracts but it is inescapable where there exists a variation of a great number of parts on which no cost basis can possibly be made. There are instances of certain guns having as many as 2,400 parts and it is impossible to make an accurate estimate of the costs of each of these parts. In such a case resort is had to the cost plus percentage contract.

It is to be noted that in all cases where a contractor gets costs, such costs are determined by Government Cost Accountants in accordance with Costing Memorandum, M. & S. 433, attached to this Report as Appendix II.

Controls over actual expenditures, arising out of these contracts, is decidedly important. There are three interlocking and overlapping checks on controls.

1. Munitions and Supply representatives who are technically trained engineers or production men, are posted and resident at the plant performing the contract work. These men devote all of their time to the control of expenditure. They operate on all large jobs where it is on a Cost Plus Fee, or a Cost Plus Percentage Contract. They adopt efficient methods and maintain a close liaison between the company and the production executives of the department. Specific instructions are given to these men. Appended hereto and marked III is a copy of such instructions.

2. The second control, or check, is to be found in the Director-General and his Production Staff who have attached to them a number of engineers and production men. Their business is to obtain efficient increased production and decreased costs. These men go from one plant to another and compare methods, and while they analyse the most economical method to obtain the fastest possible production, speed is the dominant factor.

3. The third check is the Treasury Cost Accountant.

(This dealt with by subcommittee No. 3 in its 1941 Report.)

The Munitions Contract Branch of the department dislike cost plus percentage contracts, and prefer a fixed price contract arrived at after competition or private audit. The cost plus a fixed fee is also preferable to the cost plus percentage because it destroys any incentive to deliberately pad costs, and by giving an incentive to speed, achieves the objective of low unit cost because speed means efficiency and therefore cost reduction.

This Committee strongly criticizes the use of the cost plus percentage contract but realizes that in some instances, resort must be had to it.

The Committee feels that the checks and controls exercised over the cost of contracts, do not operate as well in practice as they appear to in

theory. It feels that they are not really as effective as they should be because there are not nearly enough technically trained engineers exercising these controls. It recommends that greater economy could be effected if a larger number of men were employed by the Department to check costs in various plants. Every effort should be made to get these men, if available.

The Committee is further of opinion that delays, sometimes too lengthy, are occasioned by inspection.

The Committee recommends that an officer of the Department of Labour, with practical experience in the problems of Labour, should sit on the Production Committee.

All of which is respectfully submitted.

ALPHONSE FOURNIER,

Chairman.

APPENDIX I

DEPARTMENT OF MUNITIONS AND SUPPLY

INSTRUCTIONS (No. 29) ISSUED BY DEPUTY MINISTER, FEBRUARY 18, 1942

AUDIT CLAUSES

In order to clarify and consolidate all instructions issued to date with respect to the insertion of Audit Clauses in Invitations to Tender and Acceptances of Tender, the following shall be considered to be effective as from this date:—

1. In any case where it is decided to provide that a Government audit of the contract or order may be made one of the following Audit Clauses is to be inserted in the Acceptance of Tender:—

(a) Audit Clause No. 1

It is understood and agreed that the price quoted in this order is a "ceiling price" and is subject to adjustment as hereinafter provided.

You agree to keep such records with respect to this order as are required by Costing Memorandum Form M. & S. 433 attached hereto, and that such records may be audited by a Government Auditor if the Minister of Munitions and Supply shall deem it advisable that such audit be made.

It is understood and agreed that if such an audit should be made and should disclose that the profit accruing to you on this order is in excess of% on your actual cost determined as aforesaid, the price herein quoted shall be adjusted downward so that the profit on this order shall be not more than% on such actual cost, and that if any payment shall have been made hereunder before the making of such audit and any price adjustment based thereon, the amount (if any) overpaid to you will be repaid by you upon demand, or, at the option of the Minister, may be deducted from any amounts thereafter becoming payable to you under this order or from any other moneys payable to you by His Majesty.

(b) Audit Clause No. 2

It is understood and agreed that the price quoted in this order is a "ceiling price" and is subject to adjustment as hereinafter provided.

You agree to keep such records with respect to this order as are required by Costing Memorandum Form M. & S. 433 attached hereto, and that such records may be audited by a Government Auditor if the Minister of Munitions and Supply shall deem it advisable that such audit be made.

It is understood and agreed that if such an audit should be made and should disclose that the profit accruing to you on this order is in excess of a fair and reasonable profit, the price herein quoted shall be adjusted downward so that the profit on this order shall be such as is, in the opinion of the Minister, a fair and reasonable profit, and that if any payment shall have been made hereunder before the making of such audit and any price adjustment based thereon, the amount (if any) overpaid to you will be repaid by you upon demand, or, at the option of the Minister, may be deducted from any amounts thereafter becoming payable to you under this order or from any other moneys payable to you by His Majesty.

(c) Audit Clause No. 3

It is understood and agreed that the price quoted in your tender of which this document is an acceptance is a "ceiling price" and that such "ceiling price" is estimated by you to contain not more than a fair and reasonable profit. You agree that you will keep sufficient and adequate records of the cost of this work so that such cost may from time to time be determined in accordance with the provisions of the Department of Munitions and Supply Form M. and S. 433 entitled "Costing Memorandum" and that such records may at any time and from time to time be audited by a Government Auditor to ascertain the actual cost of the work then performed for this order. Such audit or audits shall be made at any time or times at the discretion of the Minister, but not later than four (4) months after the Company has notified the Minister that the said records of the work then completed are sufficiently complete to enable the cost of the said work to be determined. Provided that if the said records are complete as aforesaid and any such audit be not made within four (4) months after notification as aforesaid, the Minister agrees to accept the certificate of the auditors of the Company as to the actual cost; determined as aforesaid, of any such completed work.

It is further understood and agreed that the right to make the audit hereinbefore referred to shall be in addition to any rights of His Majesty and does not limit and shall not be taken to be a limitation of any rights of His Majesty to make an audit of the Company's books which may now or hereafter exist otherwise than hereunder nor shall the acceptance of the certificate of the auditors of the Company as above provided in any way limit the right of His Majesty to make an audit of the Company's books under any authority other than this provision.

It is further understood and agreed that, if such audit should establish that the profit accruing to you on this order is in the opinion of the Minister in excess of a fair and reasonable profit, the said quoted price shall be adjusted downward so that the said profit shall be, in the opinion of the Minister, fair and reasonable. If the Company shall not consider the profit as so determined by the Minister fair and reasonable, the matter shall be referred for decision to two arbitrators, one to be appointed by the Minister and the other by the Contractor. In case the two arbitrators so appointed cannot agree, they shall appoint a third and the decision of any two of the three so appointed shall be binding upon the parties hereto. In case the two arbitrators so appointed cannot agree upon the appointment of the third arbitrator, such third arbitrator shall be appointed by the Exchequer Court upon a reference being made to such Court. A party who has not appointed an arbitrator after the other party has appointed one shall do so within five (5) days after being notified in writing by such other party so to do, and in default of appointment such other party's arbitrator may act as sole arbitrator and his decision shall be binding. If the arbitrator appointed by either party shall fail to proceed with the consideration of the matters in dispute within five (5) days after being required in writing by the other party's arbitrator so to do, such other party's arbitrator, if a third arbitrator has not been appointed shall be at liberty to act as sole arbitrator, and his decision shall be binding, or the other two arbitrators, if a third has been appointed, may forthwith appoint an arbitrator in lieu of the one who has failed to proceed and the decision of two of such three arbitrators shall be binding. The Contractor shall not stop, suspend or delay work under this contract pending the outcome of any arbitration proceedings taken hereunder.

(d) Audit Clause No. 4

In all Acceptances of Tender issued to General Motors Products of Canada Limited, the Ford Motor Company of Canada Limited, Chrysler of Canada Limited, covering purchases of "Transport Equipment" (which term shall mean wheeled transport vehicles, their components, and spare parts, and such other stores as are necessary to equip such vehicles; universal carriers Mark 1 and parts, the following clauses are to be inserted:—

(a) On Acceptances of Tender issued to General Motors Products of Canada Limited and Chrysler Corporation of Canada Limited. It is understood and agreed that this order shall be subject to the provisions of an agreement dated the 11th day of January, 1941, made between His Majesty the King in right of Canada and His Majesty the King in right of the United Kingdom of Great Britain and Northern Ireland and yourselves.

(b) On Acceptance of Tender issued to the Ford Motor Company of Canada Limited. It is understood and agreed that this order shall be subject to the provisions of an agreement dated the 11th day of January, 1941, and amended June 30, 1941, between His Majesty the King in right of Canada and His Majesty the King in right of the United Kingdom of Great Britain and Northern Ireland and yourselves.

2. In some cases it may be known at the time of the sending out of the Invitations to Tender that it will be necessary to place in the Acceptance of Tender one of the foregoing Audit Clauses. In any such case the following statement is to be inserted in the Invitations to Tender:

If your Tender is accepted the following Audit Clause will be inserted in the Acceptance of Tender issued by the Department and will form a condition thereof:

Then quote in full the one of the foregoing Audit Clauses which it is proposed thus to insert.

G. K. SHEILS,

Deputy Minister.

M&S 433

APPENDIX II

COSTING MEMORANDUM

The general rule is that the cost of performing a particular contract shall consist only of expenditure made by the contractor in connection with the contract, and shall be the sum of:—

- (1) Direct materials.
- (2) Direct labour.
- (3) Direct expenses.
- (4) A proper proportion of applicable indirect costs (including a reasonable proportion of management expenses).

GENERAL ELEMENTS OF COST

No definitions of the elements of cost may be stated which are of invariable application to all contractors, but in general the elements of cost may be defined as:—

- | | |
|---|---|
| (1) Manufacturing Cost. | |
| i Direct Materials | |
| ii Productive Labour | |
| iii Direct Engineering Labour | |
| iv Miscellaneous Direct Factory Charges | } See "Particulars" for further explanation of these items. |
| v Indirect Factory Expenses | |
| vi Other Manufacturing Cost | |
| (2) Miscellaneous direct expenses. | |

- (3) Miscellaneous indirect expenses.

But there shall not be included as cost of the following:—

- (1) Allowances for interest on invested capital, bonds, debentures, bank or other loans.
- (2) Entertainment expenses.
- (3) Dues and other memberships other than regular trade associations.
- (4) Donations (except as stated in Section 3, Subsection (b) hereunder).
- (5) Losses on other contracts.
- (6) Losses from sale or exchange of capital assets.
- (7) Depreciation on buildings, machinery or equipment paid for by the Crown.
- (8) Fines and penalties.
- (9) Amortization of unrealized appreciation of values of assets.
- (10) Expenses, maintenance and/or depreciation of excess facilities.
- (11) Increase in reserves for contingencies, repairs, compensation insurance and guaranteed work.
- (12) Federal and Provincial income, excess profits or surtaxes.
- (13) Unreasonable compensation for officers and employees.
- (14) Bond discount or finance charges.
- (15) Premiums for life insurance on the lives of officers.
- (16) Legal and accounting fees in connection with reorganizations, security issues, or capital stock issues.
- (17) Losses on investments, bad debts and expenses of collection.
- (18) Advertising and selling expenses.

PARTICULARS

1. I. Direct Materials

Includes, in addition to materials purchased solely for the contract and processed by the contractor, or material obtained from subcontractors, any other material purchased for stock which may subsequently be used and becomes a component part of the contract.

All materials shall be charged to the contract at the net laid down price after deducting all discounts and other similar items.

Costs shall be credited with the fair market value of all scrap produced from materials charged to the contract, either in manufacturing processes, rejects, due to design changes, or from any other cause.

II. Direct Labour

Production labour which is performed directly on and is properly chargeable to the contract.

III. Direct Engineering Labour

Compensation of professional engineers and draftmen properly chargeable to the contract.

IV. Miscellaneous Direct Factory Charges

Items properly chargeable direct to the contract, but which do not fall within any of the above categories. As an example, a royalty payable.

V. Indirect Factory Expenses—"Factory overhead or burden"

- (a) *Labour*: supervision and inspection, clerical, timekeeping, stores tool crib, cleaners, watchmen, etc.
- (b) *Materials and supplies*: shop fuel, lubricants, waste, non-durable tools and gauges, etc.
- (c) *Service Expenses*: expenses of a general nature such as power, heat, light, operation and maintenance of general plant assets and facilities.
- (d) *Fixed Charges*: recurring charges such as property taxes, rentals and provision for depreciation. In making provision for depreciation, consideration may be given the number and lengths of shifts, but the provision shall not be inconsistent with the regulations imparted by Commissioner of Income Tax.
- (e) *Miscellaneous Indirect Factory Expenses*: items not directly chargeable to the contract, such as purchasing expenses, employees' welfare, employers' payments to any Federal unemployment or health funds but shall not include
 - (1) Payments deducted or chargeable to employees
 - (2) Pension and retirement payments.

VI. Other Manufacturing Costs

Includes items not properly or satisfactorily chargeable factory costs, but which, upon a complete showing of all pertinent facts, are properly to be included as a cost of the contract, such as:

Experimental and development charges.

2. Miscellaneous Direct Expenses

Sundry items: fees paid for tests, travelling expenses applicable to the contract, etc.

3. Miscellaneous Indirect Expenses

(a) Indirect engineering expense "Engineering Overhead" consisting of labour, materials, and miscellaneous expenses.

(b) Administrative expenses including salaries of corporate and executive officers, office salaries, janitors, cleaners, miscellaneous office and administrative expenses, such as stationery and office supplies, postage, normal contribution to local charities and other necessary office expenses.

ALLOCATION OF INDIRECT COSTS

No general rule is applicable to all cases. The proper proportion of indirect costs chargeable to the contract will depend on the ascertaining of all facts and

circumstances relating thereto, subject, however, to a requirement that all items which have no relation to the contract shall be eliminated from the amount to be allocated.

Provided the articles produced for the contract are of the same general class as the concurrent production of the plant, then allowable indirect expenses may be distributed on the basis of the proportion which the direct productive labour on the contract bears to the total productive labour of the particular section wherein the contract work may be carried out, except that if indirect expenses are incurred in different amounts and in different proportions by the various producing departments, consideration shall be given to such circumstances to the extent necessary to make a fair and reasonable determination. Administrative and other general expenses may be dealt with in a like manner.

In cases where the product is essentially different to the concurrent production, indirect costs wherever possible shall be segregated and the proper items thereof charged direct to the contract.

ACCOUNTS

Contractors' accounts shall be kept in such a manner as to clearly disclose the nature and amounts of the different items of cost pertaining to the contract, and all records of original entry must be preserved in form available for ready reference until released for disposal by the Minister.

APPENDIX III

DEPARTMENT OF MUNITIONS AND SUPPLY

INSTRUCTIONS (No. 37) ISSUED BY DEPUTY MINISTER, OCTOBER 16, 1941

DUTIES OF MUNITIONS AND SUPPLY REPRESENTATIVES IN GOVERNMENT OWNED

MUNITIONS PLANTS

General

In the production of the large quantities of complicated types of munitions required by modern warfare, it becomes necessary from time to time for the government to make heavy expenditures for the erection and equipment of new plant, entirely exclusive of any private capital, and to make arrangements with an experienced and competent industrial concern or group to manage it in return for a fee. Such arrangements are put into legal form as a contract but such a document cannot be expected to cover specifically all the various situations which arise in the carrying out of such extensive work. Accordingly, experienced men, bearing the title of Munitions and Supply Representatives, are appointed in these plants to assist the Directors General of the Production Branches of the Department in becoming aware early of new developments and, in general, seeing that correct interpretations are placed on the contract terms as operations proceed. Included in the work of these representatives is the responsibility for maintaining close contact with the expenditures which are made, so as to ensure that these are in keeping with the contract terms.

The managements of these government owned plants are selected because of their outstanding skill, knowledge and efficiency in their line and their generally high standing. Munitions and Supply Representatives must not lose sight of this fact. They should bear in mind at all times that courtesy, tact and due consideration of the management and staff are essential. A smooth-running and harmonious relationship as between the management and its organization on the one hand and this Department's officers on the other hand should be maintained in order that the fundamental principle of production at the greatest

possible speed may prevail. Representatives should endeavour to cultivate a relationship such that mutually friendly and frank discussion may occur on any feature of the operations at any time.

The representatives should be careful not to interfere in respect of managerial matters. If they consider that a course of action is not in the government's interests or not in accordance with the intent of the contract, they should discuss the matter with the management themselves, not with workmen, foremen, clerical employees or others of junior rank. This applies at all times, but is of particular importance if any criticism is deemed necessary.

Representatives should dispose of as many matters as possible *without* reference to the Department at Ottawa, so as to keep correspondence at a minimum, but they should nevertheless consult freely with the Director General concerned, particularly when in any doubt.

Representatives naturally will make very careful studies of the terms of the contracts in hand and make sure that they thoroughly understand what is intended, consulting the Department in case of doubt. In order that they may carry out their work it is, of course, essential that they should have free and continuous access to all accounts and records related to the operation, including purchase orders, payrolls, employment forms for new employees and shop or work orders.

Resident Cost Accountants are appointed in these government owned plants by the Comptroller of the Treasury on the recommendation of the Chief Cost Accountant attached by the Treasury to this Department. This, of course, means that Resident Cost Accountants are not under the supervision of the Department of Munitions and Supply, but serve the Department of Finance. It is clear, however, that complete co-operation must exist between Munitions and Supply Representatives and Resident Cost Accountants, as their functions interlock in many ways.

Duties

It is not possible to lay down a definite set of instructions to apply to all Munitions and Supply Representatives, but certain points are common to all their activities and these are outlined below:

Construction, Additions, and Repairs to Plant

Construction work on government plants is under the supervision of the Director General of the Defence Projects Construction Branch of the Department, but Munitions and Supply Representatives should maintain a contact with the work and make their services available to the Director General of the said Branch. They should bring to his attention any matters of interest as, for instance, suggestions for savings in cost or improvements in layout. This, of course should be accomplished in consultation and co-operation with the management. Any deviations from approved plans and specifications on the part of the building contractor should also be reported to the said Director General.

Machine Tools

These are purchased by the management only after approval of Citadel Merchandising Company, Limited, which has copies of all M.B. Reports giving lists of machinery estimated to be needed. As a rule, the machine tools are bought by Citadel but sometimes it is arranged that the management shall buy certain items. Transfers from other plants or projects may also be arranged by Citadel and substitutions may be made by Citadel on being agreed to by the management, always provided that the estimated total expenditure is not exceeded. It is expected that Munitions and Supply Representatives will maintain contact with all developments in this regard. Where the contract provides that the expenditure on machine tools, equipment, etc., is an estimate only, and

there are indications that the total will be exceeded, it is the responsibility of the Munitions and Supply Representatives to endeavour to see that any additional expenditure which appears necessary is placed before the Department for prior consideration. Where it seems that additional expenditures not contemplated originally will pay for themselves quickly in cost reduction or in increased production, it is the duty of the Representatives to study the matter thoroughly and make a full report and recommendation to the interested Director General, of course in consultation with the management who will also be expected to submit the matter themselves to the Director General.

Jigs, Tools, Dies, Fixtures, Gauges and Installation Expenses

All commitments covering these items should be passed upon by the Munitions and Supply Representatives, who are required to see that the limits of the authorization for expenditures from the Department are being observed. The Representatives have authority to approve, without reference to Ottawa, any substitutions considered advisable, provided such substitutions do not increase the original cost estimate beyond the allowance for contingencies provided in the M.B. Report, due allowance, of course, being made for the possibility that other contingencies will arise.

Office Furniture and Equipment

It is the policy that purchases of office furniture and equipment should be made through the Directors-General of the General Purchasing Branch of the Department. Signed requisitions for such items are necessary. It is not the duty of the Munitions and Supply Representatives to pass on such requisitions. They are handled by the Resident Cost Accountants.

Production Material

Representatives should satisfy themselves that the Management is maintaining an adequate, but not excessive, supply of raw materials and that schedules of purchases are such as to ensure no risk of shut-down through shortage of raw materials, components or packing materials. Any difficulties in this regard and any long term commitments necessary to guarantee continuity of supply should be referred to the Director-General in charge. It is most important that the Director-General should be kept fully informed on this subject and that any unfavourable priority rulings should also be reported promptly.

Prices and Sources of Supply of Materials

All materials must be purchased on a strictly competitive basis and Representatives have the authority to approve orders of this nature. When it is deemed necessary to procure materials on other than a competitive basis, explanation must be given to the Director-General and authority granted by him.

The foregoing is subject to the following qualifications: (a) that notwithstanding that it may be possible to obtain materials in the United States cheaper than similar materials can be obtained in Canada, if the difference in the laid-down cost of such materials is not more than fifteen per cent, such materials should be obtained from sources in Canada; and (b) that in any case where the Company should deem it inadvisable to accept the lowest tender, the matter must be referred to the Director-General concerned for approval before any action is taken.

Labour and Rates of Wages

Labour policy and control and the direction of employees are among the prime responsibilities of Management, and it is intended that in the exercise of these functions the Management should have a free hand. Matters

affecting the safety of employees, employment conditions, wage incentive plans, etc., etc., also are Management functions. These are all matters, however, in respect of which the Representatives should keep themselves informed. Payrolls require their certificate as a matter of course and no general change in policy, e.g., the introduction of a new incentive plan, should be put into effect without prior approval from the Director-General. In some cases it will be advisable that the Munitions and Supply Representatives should make reports to the Director-General of the Labour Relations Branch, copies of any such reports being sent to the Director-General in charge of the project.

Salaries and Wages

Representatives are authorized to concur in the appointment by the Management of additional salaried employees or wage earners at rates not in excess of \$3,600 per annum, and to approve of increases in pay where the resultant rate of remuneration does not exceed \$3,600 per annum. All appointments or proposed increases which would establish rates of pay in excess of \$3,600 per annum must be approved by the Director-General in charge of the project.

It should be arranged with the Resident Cost Accountant whether he or the Representative will make a periodical spot check of payroll cards in each section of the plant to make sure that payroll conditions are as they should be.

Reports for Directors-General in Charge of Projects

Reports on production are required in Ottawa every fortnight and are to conform with the needs of the Director-General in charge of the project. Production difficulties and delays should be analysed and their causes reported.

Expenditure for Maintenance

Representatives have authority to approve of incidental expenditures for plant maintenance, providing that such do not exceed \$2,000 for any one item. Amounts in excess of that sum must be referred to the Director-General in charge of the project.

Approval of Monthly Accounts

Munitions and Supply Representatives must consider all monthly accounts for all expenditures as prepared by Resident Cost Accountants and sign these if they concur or otherwise state their criticisms. Joint consideration of expenditures with the Resident Cost Accountants is an important portion of the work of Munitions and Supply Representatives.

Security and Guarding of Plant

All questions re this should be referred to the Director General of the Industrial Security Branch of the Department, copies being sent to the Director General in charge of the project.

Insurance and Fire Prevention

Problems of this nature should be communicated to the Secretary of the Department.

Central Inventory Records Division

Representatives are responsible for proper recording and tagging of all machinery and equipment by the Management, as required by this Division of the Department. Full instructions as to procedure will be submitted on

request, if not already on hand. Transfer of machinery and equipment to and from plants may only be done under instructions of the Director General in charge, but the Representatives must see that the C.I.R.D. is advised on proper forms of all such transfers.

Inspection

Inspection is not the responsibility of Representatives but that of the Resident Inspector of the Joint Inspection Board of U.K. and Canada. Should any undue delays be experienced in shipments of completed work because of lack of inspection facilities, Representatives should refer the problem to the Director General in charge of the project.

Inactivity of Machine Tools and/or Equipment

Any excess of Machine Tools and/or Equipment should be reported in detail to the Director General in charge of the project.

Cost Reduction

Although costing is within the province of the Resident Cost Accountant, ways and means of reducing costs are a legitimate subject for study by Munitions and Supply Representatives. It is their duty to gain an understanding of the manufacturing processes and be on the alert for suggestions from the Management or elsewhere as to improvements in methods which might be expected to result in lower costs. Any indications of waste in respect of material should be studied in conjunction with the Management. This, also, should be done with respect to labour, Munitions and Supply Representatives should be particularly on the alert for signs of disaffectation or unrest on the part of labour and should communicate promptly both to the Director General in charge of the project and to the Director General of the Labour Relations Branch any information on these subjects which might be of value to them.

Conclusion

It is not intended that the above should represent a complete outline of all the points in respect of which Representatives are held responsible. Circumstances of each operation differ somewhat from those of all the others. The Representative should be interested in anything which will permit of higher speed of output and lower cost without sacrifice of quality. An effective Representative will gradually become established as an asset in the minds of the Management and will be welcomed to their inner councils. He will see Management's problems as well as the Department's viewpoint and will serve to bridge difficulties, eliminate misunderstandings and generally contribute to the efficiency of the operations.

J. P. PETTIGREW
for Deputy Minister.

MINUTES OF PROCEEDINGS

TUESDAY, May 5, 1942.

The Special Committee on War Expenditures met at 11 a.m.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Chevrier, Cleaver, Douglas (*Weyburn*), Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Macdonald (*Halifax*), Homuth, Johnston (*Bow River*), Mayhew, McIlraith, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Winkler.—21.

On motion of Mr. Golding, seconded by Mr. Harris, Mr. Fournier (*Hull*), was selected as chairman of the committee.

Mr. Fournier took the chair, and after thanking the committee for the honour conferred upon him, made a brief statement on the scope of the Order of Reference.

A verbatim report of further proceedings follows:—

The CHAIRMAN: Gentlemen, to my mind members would be wise to study the order of reference which gives our committee power to investigate and examine the expenditures defrayed out of the moneys provided by parliament for defence services and other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein.

I see no limitation in our power to investigate into any expenditure made by the government for war purposes. As to the report to be made, it reads: "To report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein." That is the basis of our organization. Last year we sat in a committee of the whole for, I believe, twelve or thirteen sittings and heard evidence from officers of the Department of Munitions and Supply and from war headquarters. Then the committee decided to appoint subcommittees to which were assigned specific topics. It will be for the committee to decide what the procedure shall be this year. I would like members to feel that they are free to discuss any matters coming under the order of reference, and I would be the last man to hinder or stop any progress of the inquiry.

Now, the first motion which the committee should pass, would be to ask power to sit while the house is in session because I do not think we shall have enough time if our committee or subcommittees sit only in the mornings and cover very much ground.

Mr. HARRIS: Mr. Chairman, before you put that motion, I quite agree that that was the first order presented at last year's opening session of the War Expenditures Committee, but it was not perhaps the proper order. If you will recall, in many committees in which we have sat, the order, following the general remarks of the chairman, has always been that the committee be empowered to print 500 copies in English and 200 in French. Last year for some unknown reason we left that to the last order. Could we not get that straightened out now?

The CHAIRMAN: I have a draft motion to that effect. I could read it. This is only a suggestion.

Mr. HARRIS: Let us get back to a proper order of business.

The CHAIRMAN: The motion would read: That the committee be empowered to determine the manner and extent to which the evidence and proceedings shall be printed or typed and that where the same are ordered to be printed there shall be printed 500 copies in English and 200 copies in French, and that standing order No. 64 be suspended in relation thereto.

Mr. Ross: Mr. Chairman, speaking to that suggestion may I say I was on the committee last year and I notice that the first meetings were open meetings but that nothing was printed except what appeared in the newspapers, and if somebody in the committee got up and mentioned that there was some rule there was a headline in the papers, and if someone suggested something else, there was a headline in the papers, all of which had nothing whatever to do with what we were doing or intended to do. I have noticed that when committees of this house—and the House of Commons itself—make a *Hansard* then you finish the efficiency of a committee because too many people want to talk for the record and for publication. As far as I am concerned, I am against the printing of the evidence. I am not against keeping a record such as we kept last year in connection with different important things that came before the committee, but I am against sitting in open sessions of this committee. I was here all last summer during the heat and we worked hard in this committee—those of us who were here—and certainly if this committee intends to hold open sittings I do not intend to waste my time here listening to stuff being stated for publication in the newspapers and I intend to ask the House to be relieved of my duty on this committee if we sit in open session.

The CHAIRMAN: This motion only empowers the Committee to do certain things. It empowers the Committee to determine the manner and extent to which the evidence shall be printed or typed and when the same shall be ordered to be printed 500 copies will be printed in English and 200 in French. This is a general power that we are asking for in the House this afternoon.

Mr. JOHNSTON: Speaking to that motion, is there a great deal of difference in the cost of having the proceedings printed in both English and French?

The CHAIRMAN: I do not know what the cost is; the proceedings will be printed by the Printing Bureau.

Mr. JOHNSTON: Would that entail any further cost, or do they have a sufficient staff to undertake anything of that nature? Have we the translators employed anyway?

The CHAIRMAN: Yes, we have the translators.

Mr. HARRIS: That motion has been changed considerably, from Mr. Cleaver's motion of last year. Mr. Cleaver's motion last year read that the Committee request permission to print, as the Committee may determine from time to time, 500 copies and so on. This time you use some other words; what is the idea?

The CHAIRMAN: Last year we had quite a discussion about the way we would sit and the way the proceedings would be prepared, and I thought this year we would ask the House for power to determine as we go along the way we should proceed.

Mr. HARRIS: What is the objection to last year's motion? The usual motion has been moved here ever since parliament originated.

The CHAIRMAN: We had to go back to the House when we desired to set up subcommittees with power to print or type so many copies.

Mr. HARRIS: All right.

(Motion agreed to).

The CHAIRMAN: Now we have a motion: that the Committee request permission to sit while the House is sitting.

Mr. CLEAVER: Would you consider an addition to that; that the Committee have power to adjourn from place to place. It may be that during the scope of our inquiry, even while the House is sitting, we would want to visit war establishments in some place other than Ottawa, and I think we should have that power at once.

Mr. REID: We had that power last year.

Mr. CLEAVER: We are starting afresh. I think we should have power to adjourn from place to place.

Mr. MAYHEW: Would that mean we would have to have an appropriation?

Mr. CLEAVER: No, that is all covered.

The CHAIRMAN: The order of reference gives us power to examine witnesses without stating exactly where we will examine those witnesses.

Mr. CLEAVER: I think that a parliamentary Committee only has power to sit in the House of Commons unless we take additional power to sit elsewhere; and why not take all the power we need.

Mr. GLADSTONE: I think Mr. Cleaver's point is well taken.

The CHAIRMAN: Before the adjournment of the House on June 10 last year we did get this power: "That the Committee be empowered to sit notwithstanding any adjournment of the House, to adjourn from place to place and sit in camera or otherwise."

Mr. CLEAVER: Why not take that power right now?

The CHAIRMAN: We should add to this motion that the Committee request permission to sit while the House is in session and to adjourn from place to place.

Mr. ROSS: And add that we should sit in camera, if that is not in that motion. I want to be definite about that. It is for this Committee to say when they want to sit in camera.

The CHAIRMAN: Perhaps that matter could be discussed later and we could complete this part of our proceedings.

Mr. MAYHEW: If we are going to sit from place to place you will have to have some money because you will want to take with you secretaries and those who would not want to pay their expenses.

The CHAIRMAN: In the ordinary estimates there is an amount of money for committees. That is in the general estimates. It was not there for sittings during the recess, but there is some money for committee work during the regular session.

Mr. CLEAVER: I move that the committee request permission to sit while the House is sitting and to adjourn from place to place.

Motion agreed to.

The CHAIRMAN: Now, generally at the first meeting of a committee we fix the quorum and I have a suggestion that we request parliament to fix the quorum of this committee at eight members and that standing order No. 65, paragraph 3, be suspended in relation thereto. We had eight members as a quorum during the session and six during the recess when we sat.

Mr. GOLDING: I think eight should be sufficient and I shall so move.

Motion agreed to.

The CHAIRMAN: Now, here is a power that we passed last session also: "That the committee request power to appoint subcommittees and to fix the quorum of any such subcommittees, to refer to such subcommittees any of the matters referred to the committee; that any such subcommittee so appointed shall have power to send for persons, papers and records and to examine witnesses, to sit while the House is sitting and to report from time to time to the Committee." Perhaps we could add "adjourn from place to place."

Mr. HARRIS: I am not so anxious about joyriding from place to place, but if that suggestion was not included last year I shall be glad to have it done this year.

Mr. CLEAVER: We visited a number of different places and I can tell Mr. Harris that none of those trips were joyrides. Now, I wonder whether there

should be a general clause to generally delegate to the subcommittees all powers vested in the main committee. We have not covered the question of sitting in camera and I think that a subcommittee should have a right of itself to determine whether it will sit in camera or in the open.

The CHAIRMAN: We are still dealing with our organization, and these are the powers we are going to ask the House for this afternoon.

Mr. CLEAVER: You are not asking the House to vest in these committees the right to sit in open or in camera and I think that power should be asked for.

The CHAIRMAN: There is nothing in the reference which says we should sit in open or in camera. These are the powers we are asking to the House now.

Mr. HARRIS: They are the usual powers of the main committee.

Mr. CLEAVER: My point is this: while it is perfectly true that the Committee can determine how it shall sit I doubt if it has the power to delegate to a subcommittee how a subcommittee shall sit.

Mr. GOLDING: We did that last year.

Mr. ROSS: Can a subcommittee do anything that the main committee can do?

The CHAIRMAN: We can delegate all our powers to a subcommittee.

Mr. CLEAVER: That is what I was suggesting. You should add the words: "And generally to delegate to any subcommittee any powers awarded to the main committee."

Mr. GOLDING: It is all right to do that but it is not necessary.

The CHAIRMAN: With regard to sitting in camera, to my mind we have that power without going back to the House.

Mr. CLEAVER: Yes, the committee has that power, but we cannot delegate it to a subcommittee unless we take that power.

The CHAIRMAN: When we are authorized by the House to appoint subcommittees we will receive power to transfer our power to the subcommittees.

Motion agreed to.

The CHAIRMAN: There was a motion concerning the appointment of a subcommittee to prepare an agenda—a steering committee or an agenda committee.

Mr. GOLDING: We had a subcommittee last year that did very excellent work in arranging a program from day to day, and I have here a motion that a subcommittee consisting of Messrs. Fournier, Cleaver, Graham, Bradette, Chevrier, Boucher, Douglas and Johnston, be appointed to prepare an agenda and report from time to time to the main committee.

The CHAIRMAN: This subcommittee generally sat and prepared the work that was handed out to the subcommittees or the work that would come before the main committee. I should like to hear any suggestions that could be made on that, if you believe it is the proper way to proceed.

Mr. HOMUTH: I should like to move that Mr. Harris' name be substituted in the place of Mr. Boucher on that list.

Mr. HARRIS: Before you find a seconder to that motion, I may say that I was rather happy to think that I was excused.

Mr. BOUCHER: It is my first attendance in this Committee, Mr. Chairman, and I think the man on that subcommittee should be one experienced with the workings of the Committee last year. It would be a great help to them. I am very anxious to have Mr. Harris take my place on that subcommittee.

Mr. GOLDING: That is all right with me.

Mr. ROSS: Carried.

The CHAIRMAN: Are there any other changes you wish to have on that agenda or steering committee?

Mr. CLEAVER: Is the Social Credit group or the C.C.F. group represented?

The CHAIRMAN: Yes, by Mr. Douglas and Mr. Johnston. Moved by Mr. Golding and seconded by Mr. Reid. Is that motion agreeable to the committee?

Mr. ROSS: Carried.

The CHAIRMAN: I declare the motion carried. This concludes the ordinary formalities and powers we are to request from the House before starting our sittings.

Mr. JOHNSTON: May I ask a question? I do not know whether this is the proper place that it could be brought up but you have been speaking of subcommittees, and I have in mind that you may be guided by what you did last year in appointing about three subcommittees. When these three subcommittees are appointed, each one will have a special work delegated to it, I presume. I think that it is unfair to ask a subcommittee to carry on work on which each of the parties is not represented. So I would suggest that we ask the house—I do not know if this is the proper procedure—to be allowed to increase the membership of the committee to the extent that each of the parties have an additional representation and be represented on each of these subcommittees. May I give an illustration of what I have in mind. I do not think it would affect the power of the Committee if the C.C.F. or Social Credit were allowed additional memberships so that they would have representation on each of these subcommittees. That representation would not be sufficiently strong to offset your Liberal representation, because they would be far in the majority. That is not my purpose. My purpose is not to have a greater number of ours on the committee. But I do think when these subcommittees are being divided, each of the parties should have representation on them.

Mr. CLEAVER: And the New Democracy too?

Mr. JOHNSTON: Yes, one from the New Democracy and one from the C.C.F.

Mr. CLEAVER: And one from the Social Credit?

Mr. JOHNSTON: Well, Social Credit is New Democracy.

Mr. CLEAVER: What about Lacombe's party?

Mr. JOHNSTON: My point is this. If there is work going on in a subcommittee, it would necessarily be a very important piece of work; and I do not think it is fair to have this work going on without ourselves and the C.C.F. being represented on that. I think the Committee would agree with me that that would not be such a great addition that it would upset your over-riding of the major party.

Mr. GOLDING: All the committees are set up on the basis of representation in the House. The Standing Committees and so on are set up in that way.

Mr. JOHNSTON: I do not think that should have any bearing on it.

Mr. GOLDING: It is not what you think; that is the situation and that has always been the situation.

Mr. JOHNSTON: That might have been true in the past, but I think we could extend the privileges of the two smaller groups to be permitted to have sufficient members to sit on each of the subcommittees. If you are only going to have one subcommittee or two subcommittees rather, then it would only be two from each of the smaller groups, so that they would have representation on each of the subcommittees. I think the members will realize that it is not fair representation, because one man cannot be in three subcommittees.

Mr. ROSS: The record from each of these subcommittees is generally kept. It comes back and all their findings come back to the main committee. Their report is discussed in the main committee before anything is passed by the committee as a whole.

Mr. JOHNSTON: But at the same time one man could not be expected to carry on all that work.

Mr. HARRIS: Mr. Chairman, I should like to support what Mr. Johnston has to say. It is quite true that it comes back from the subcommittee and all that sort of thing, but it just comes back and is given a decent burial and that is the end of it. I should rather support it from another point of view. Having had the pleasure of being in attendance on some of the committees during the last session, I have found this position, that on perhaps a score of occasions a suggested motion occurred to me which I had perhaps in some cases the privilege of moving; but unfortunately, for some unknown reason, I could not find a seconder in the committee, with the result that the subject matter of the motion could not be brought before the committee. Now and again we were able to get a seconder, but not very often, which makes it very difficult. In supporting the suggestion of Mr. Johnston I might say that surely there must be some merit in some of the ideas that my hon. friend and others of us might have, sufficient at least that we could get them before this committee for discussion. In the absence of a seconder to each motion we were just stalled and the child died at birth without going any further.

Mr. CLEAVER: Of course, there is another way in which you could entirely cure that problem, and that would be that where your subcommittee is a small subcommittee, no motion should require a seconder.

The CHAIRMAN: That is the rule in committee meetings, at all events; a seconder is not necessary.

Mr. HARRIS: I have often been asked for one.

Mr. JOHNSTON: I think you have missed my point. I think Mr. Cleaver has missed my point. I am not particularly interested in that angle of it. What I am concerned with is this. These subcommittees must be important. Otherwise, there would be no use in setting them up. There is going to be a good deal of work required from each one of these. I think it is out of the question to say, "Well, each one of these subcommittees makes a report back to the main committee and then you have a chance to discuss it". As one individual like myself, you just simply cannot keep track of all the work that goes on in any of those subcommittees, nor can you review it sufficiently when it comes back to the main committee. I believe that, without any partisanship entering into it, members should realize that there should be representation on these committees for the smaller groups. You simply cannot do the work otherwise. I think that is necessary if we want to get results from the committee, and that is my main concern. It would not interfere with the proportionate power of the other major parties. I think that would be fair.

Mr. POTTIER: What would you suggest for Mrs. Nielsen's party, the unity party or the national party?

Mr. JOHNSTON: I think Mr. King made this remark, that they did not have sufficient representation to be recognized as parties. Certainly if there were only one in the group, you could not extend it because where would you get your representation from?

Mr. HOMUTH: You could put Lacombe on. He could jump from place to place.

Mr. ROSS: I am not against other parties having representation on these committees or anything else. But after all, we have been appointed here as a War Expenditures Committee. I think this, that if you get away from your press and get away from your records that are going to be printed throughout the country, politics would not be connected with it at all. I think each member who is here has come here for the purpose of trying to do what he can to assist with the work of this committee, with no partisan view in the thing at all. You and I are both from Western Canada, for instance. All right. We are both westerners. We are both Canadians and let us forget about party and politics.

Mr. JOHNSTON: That is right.

Mr. ROSS: What do we need to have more representation in this committee for?

Mr. JOHNSTON: That is my point. If we are going to do away with party stuff, which I think should be done, and there are going to be no more headlines or publicity given to this thing, let us get down and do the work among ourselves. That, I think, is only fair. Having that in mind, as Mr. Ross has suggested, I think that we should be entitled to a representative on each of these subcommittees. I can see no object in headlines. I think we should have the welfare of the work in mind.

Mr. ROSS: There is just as much reason to say you should have a geographical allocation.

Mr. BOUCHER: The Prime Minister has already said in the House that this Committee had very broad powers and it was a fact-finding committee, that we would have power to enlarge our members and that we should have as thorough an investigation as possible. I am entirely in agreement with what Mr. Ross and Mr. Johnston have said. There should be no politics in it at all. If the Committee is formed upon representation in the House, as to percentages, we cannot help but feel that that has some political flavour. I am not saying that in any disparaging sense, but I draw that to the attention of the committee in the sense of upholstering the argument of Mr. Johnston. You have three major groups in the House, each representing a political line of thought, each with some contribution to give to this Committee for national welfare. Surely it would be only fair that each group has some representation on each committee. We all know that the subcommittee does the main work, the spade work. A report is brought to the committee at large and the idea of discussing the facts and details of these things already investigated by the subcommittee, by the whole committee at large, is not a practical one unless considerable insight is given to the members. But there is considerable secrecy and necessarily so. There is a considerable number of things that should not be discussed in the open and should not be brought into publicity. Would it not be an advantage to that very theory that each of the three major groups have representation on each subcommittee, even if it be necessary to spread representation on this committee as per the national representation? I would say that we in the opposition group have four members now. I suggest we could very well extend our representation to six and have each of the other groups given another representative. I believe if we started this with a full spirit of one hundred per cent co-operation, and in a constructive manner, that we would appreciate the position the group is in with one or no members on a subcommittee compared to a large subcommittee of eight or ten members. I would, therefore, very much express my viewpoint in favour of supporting Mr. Johnston.

Mr. MAYHEW: May I suggest that this discussion be laid over until after we have heard as to how many subcommittees it is thought we should have.

The CHAIRMAN: The agenda subcommittee will decide on that and report to this committee.

Mr. BLACK: I believe we should have discussed what particular line of investigation this committee, the parent committee, desires to take up, and that would indicate to the steering committee just what recommendations they should make. I went on this committee last year, and from the very beginning my aim was to co-operate with all my associates on the committee and I carried that through. There have been tremendous expenditures since. Tremendous expenditures are being made now—about \$10,000,000 a day. The Prime Minister and Mr. Thorson and our chairman here state that there is no limit to the responsibilities set upon this committee. We have an obligation now to investi-

gate, to some extent, every expenditure that has been made since the beginning of the war. That imposes a tremendous responsibility upon us. I think we should have a general discussion as to under what headings and classification all investigations are to take place, and then we should get a report from the steering committee. This session is about half, we hope, completed now. The amount of work that the public expects, the House expects and the Prime Minister expects this committee to do is impossible for us to discharge. I think we also should have some discussion before we deal with Mr. Johnston's proposal, as to whether we are going to have subcommittees and what work is to be assigned to those subcommittees. I feel, and feel very strongly, that the regular opposition should have at least two members on each committee. That was not feasible last year. I do not feel that I am capable or that it should be expected of me that I should sit on any subcommittee that is sitting here and not have one of my associates sitting on that committee with me. I am in agreement with the suggestions made by Mr. Johnston that the opposition groups should have their representation on this main committee increased, one from the Social Credit, one from the C.C.F. and I think the regular opposition should have say, two more. The public expects more from the opposition. I think that is a fair statement to make. No matter how determined we are or desirous we are of working together, the public expects more of the opposition than they do of the government members. I feel we should make a recommendation to the House that the membership of this committee be increased by four, and that that increase of four should come from the opposition groups, two from the regular opposition and one from the C.C.F. and one from the Social Credit.

Mr. GOLDING: Mr. Chairman, just in reference to the observations made by these gentlemen, I wish to say that the fact is that there are quite a lot of committees sitting now and they have asked leave to sit while the House is sitting. Only a few days ago the leader of the opposition complained to the House about wanting these committees staggered in some way so that their supporters could attend these meetings. If you are going to have these various select committees functioning day after day while the House is sitting, you are going to have difficulty. Take, for instance, the Social Credit group or the C.C.F. group. There is only a small number in each. You will find them objecting to sitting because they have got to be in the House to carry on the work in the House. It has always been the practice that you have your representation on committees according to your representation in the House, and I think that is a well established fact.

Mr. BOUCHER: Not an established fact. It is a custom.

Mr. GOLDING: You know yourself, Mr. Boucher, that the leader of the opposition complained the other day about that very thing.

Mr. BOUCHER: I think you will agree with me that this is by far the most important Committee set up by the House.

The CHAIRMAN: May I suggest one thing. Last year when the first Committee on War Expenditures was set up, a very lengthy discussion took place in the House. I can see members here who took part in that debate, both from the opposition and from the government benches. They all discussed the suggestion that opposition members should have an increased number of members on the Committee. It was mentioned in the debate on the motion setting up this Committee in the House. In the Committee here I do not see that we are doing very much useful work by recommending an increase of the membership of the opposition party, because I cannot see any good result. In the House the government took a stand on this motion. The Prime Minister spoke on it. The members spoke on it and it was decided the committee would be composed of twenty-four members.

Mr. BLACK: Did the Prime Minister not state that he would be favourable to increasing the membership of this Committee?

The CHAIRMAN: I cannot recall that.

Mr. BOUCHER: It was stated on Wednesday last.

Mr. DOUGLAS: In *Hansard* last Thursday the Prime Minister said, at page 2232, "I should be wholly favourable to having the Committee on War expenditures enlarged if that is going to help further the work for which the Committee was intended. I shall be glad to take up that matter with my colleagues; I think they will view it sympathetically; and if the Committee itself, after a meeting feels that its work could be better performed by having its membership enlarged to some extent, I for one shall be prepared to do what I can to have that recommendation favourably received by the House."

The CHAIRMAN: Yes, but do you not understand that if we are to enlarge, they would add on so many government members to so many members of the opposition parties.

Mr. BOUCHER: Let us give them a chance to do that, then.

Mr. McILRAITH: There seems to be two main lines of thought arising out of the point taken by Mr. Johnston. Mr. Johnston's point, as I understand it, was simply with respect to the different smaller groups; contending that one man could not be in three places at the same time, assuming that there were three subcommittees. His point was quite simple. As I followed his arguments he did not suggest that the relative strength should be changed nor did he come in conflict with the principle that has been followed in the appointing of these committees, of granting representation on the committee in accordance with representation in the House of Commons. That is the only possible objection I can see to giving the smaller groups representation. Possibly some arrangement could be worked out whereby only one member of each subcommittee in the smaller groups would appear in the main committee when that matter was before it for discussion. Perhaps he would agree to make some suggestion along that line.

Mr. BOUCHER: I do not get your point.

Mr. McILRAITH: My point is this. You now want one representative on the main committee of twenty-four. Is there any objection or any formula whereby two additional members appointed to this committee would not appear on the main committee except when their own matter was before the main committee?

Mr. BOUCHER: How could they be members of the subcommittees and not members of the main committee?

Mr. McILRAITH: That is the point I was suggesting you might have something to say on. Another suggestion was made by Mr. Boucher and Mr. Black, which raised a different point altogether, or a new principle. It was that the opposition parties should have additional representation and that the principle of representation according to the representation in the House should not be followed. That is a principle that I imagine will not be accepted by the House. I should be amazed if it were. They have no difficulty in their party with respect to representation on the individual subcommittees because there is one in each one, and it struck me that there was a distinction there, and that possibly you might have some suggestion.

Mr. JOHNSTON: The only thing I was concerned with was that I think the work is sufficiently important that every party should be represented on that committee; every subcommittee should have a party representative on it. I quite agree with the statement that possibly the government should have the majority on each of these committees. I am not concerned about that. The only thing I am concerned about is that in each of the smaller groups, as well as on the others, they should be represented on these subcommittees.

Mr. CLEAVER: Mr. Chairman, we have had a general discussion now. Would it be wise to just postpone any further discussion and let us all think it over until the steering committee brings in its report? I just have two little thoughts I should like to pass on to Mr. Johnston. I think you have been looking on it entirely from your own viewpoint and you have forgotten one thing which is that the War Expenditures Committee was set up for two purposes; one, to find economies and two, to give to private members of the House an opportunity to contribute to Canada's war effort. It is a much sought-after committee. There are many Liberals who would like to be on this committee. Are we to say to the Liberal members in the House "Because you are a Liberal you are not eligible to your pro rata representation. If you were in opposition you would be eligible".

Mr. JOHNSTON: No, I would not say that.

Mr. CLEAVER: You have forgotten that. There are scores of Liberals who want to be on this committee and who want to work. Then there is this other fact. In reply to a question of, I think, Mr. Adamson, the Prime Minister indicated that every member of the House is welcome at every sitting of every committee, subcommittee and main committee. When an item is coming up such as, for instance, wartime housing, which Mr. Nicholson has a special interest in, there is no reason why he should not sit in on that committee and be present when they come to wartime housing. There is no reason why he should not make a special report to your group on wartime housing and acquaint you with the facts so that you can deal with it. If we are going to enlarge this committee, and we have four subcommittees, that means you are asking for six more members from your group. On a pro rata basis, that means increasing the size of this committee by about thirty. You see where we would get. We would get it so top-heavy we would not get any work done. Do not be entirely selfish about this thing. Put yourself in the position of a Liberal member who has earned his representation in the House and who wants to sit on this committee, but who is denied the right to sit on the committee because he is a Liberal.

Mr. JOHNSTON: You have my point entirely wrong. I have no desire whatever that the Liberals should not have the majority on each of these committees.

Mr. CLEAVER: We are not looking for the majority. But the Liberals want to work and want to help the war effort just as much as your people do.

Mr. JOHNSTON: You see the impossible situation you are placing the small groups in.

Mr. CLEAVER: Let Mr. Nicholson sit in when the wartime housing is being discussed.

Mr. HOMUTH: Speaking to the suggestions of Mr. Johnston, while I realize that they are at a disadvantage, and I am not so sure but that I agree with him that they ought to have representation on each of these subcommittees, the question arises as to how many subcommittees we are going to have.

Mr. POTTIER: Yes.

Mr. HOMUTH: The question also arises: are you going to carry on your committee as it was last year with three subcommittees with certain references made to them? How broad is this order of reference? When I accepted nomination on this committee much against my will—and I say that quite candidly and sincerely—I did it because I felt that this committee could do a very great work, not only in trying to find economies insofar as dollars and cents are concerned, but the greater economy which will result through our efforts by expanding, for instance, the production of war materials in this country. If we are going to decide on the question as to whether we are paying too much for such and such a thing, should we not also decide on the question as to whether

we are paying enough for something in order to get the production that we require? Why is it that a considerable percentage of industry in this country to-day is not on war work? Why is it that other industry in this country is running night and day, twenty-four hours a day, seven days a week, with orders that they will not fill for a long time? Because they have had the advantage of being able to go and bid on contracts, while others who were not tooled up—in fact, some of them were even tooled up at government expense—are perhaps only given a unit price without ever putting in their tender. We have manufacturers in this country who have spent hundreds and hundreds of dollars working out tenders, coming to Ottawa, interviewing departmental officials, and when the final contract is let, these men have not been able to get a contract because they could not compete against those who were already tooled up. I think it is the function of this committee—and a very important function—to see to it that instead of building up great industries in certain sections of this country, we ought to take the work to the industries that are already established and able to carry on some of this work. I think that is an economy, a very great economy. Perhaps if more of that had been done, we would not have had to have as much wartime housing as we have. Then I realize the practice has been to go on accepting the lowest tender in giving contracts. All right. I realize what the public would say if some one got up in the House and said, "Here is a government that is not accepting the lowest tender and they are distributing the work to others who tendered at a higher price." But the fact of the matter is that in the manufacture of many of our munitions of war we are doing that very thing. We are doing that very thing in some industries in this country—one industry at a disadvantage perhaps in distance from raw material and things like that. But the auditors go into these industries and see to it that at least their profit is limited. Their cost of production may be more, but their profit on that cost of production is limited, and in that way a great deal of production has been brought about in this country simply because they have worked it out in that way.

This committee, representing all the groups of the House, could make representation to the House and say that such a way was the way we believe this should be done. We all accept the responsibility for giving the contract to some industry at a higher price than that obtaining in the case of someone else, but at least we distribute the work and get production; and that is the thing we have got to do. I believe this committee could so work that every industry in this country would be doing something for the war effort. Let us consider a contract for a completed machine or a contract for shell boxes. One company may not be able to do all the work in connection with those shell boxes so they sublet their work and they go to Jones and they say: Here we want you to do this. Jones will give a price and that price works out all right. Now, when that private industry wants more work done they will go to others and they will say that it costs so much but Jones will do it for 27 cents while you want 29; can you meet the 27-cent price? There is no reason why the Department of Munitions and Supply, as the result of the recommendations of this committee, should not say to a man: This is a unit price at which we can give you this contract. But up until now and from the start of the war it was impossible either in the House or through the medium of the departmental officials to get any idea as to the cost per unit of the various things required in our war effort because they felt it was not the right thing to do.

The CHAIRMAN: I do not want to intervene but we are on a motion to see if we are to increase—

Mr. HOMUTH: That is what I am speaking about.

The CHAIRMAN: I will ask you to limit yourself as much as possible.

Mr. HOMUTH: How many subcommittees are we going to appoint?

The CHAIRMAN: Why don't you leave that to the agenda committee. You have a representative on that committee. Every party has a representative

and that committee will decide how many subcommittees we shall have. That is the way it has been decided this morning. That committee will report back to the main committee and if the report is not satisfactory then you can give your reasons.

Mr. HOMUTH: I think it would be a good idea to advise the agenda committee before they start establishing their subcommittees as to the views some of us hold.

The CHAIRMAN: How many would you wish to have?

Mr. HOMUTH: I do not know, but I do say this; I do think that some committee in going into the production of munitions and supplies ought to go into those very things I have stated this morning, because I think they are far more important than deciding whether or not we are paying a cent or 2 cents too much for some particular thing that we are using in our war effort. Let us get all our industries going first.

Mr. REID: I suggest that we leave the matter to the steering committee and when it brings in its report we can decide these matters.

The CHAIRMAN: I think that is the proper course.

Mr. JOHNSTON: Would that prevent us from going back to the House and asking for permission to do something else?

Mr. REID: Oh, no.

The CHAIRMAN: When we are discussing the report of the steering committee these facts will be brought out. Is there any objection to adjourning until such time as we have a meeting of the agenda committee?

Mr. DOUGLAS: Mr. Chairman, judging from the remarks of both the Prime Minister and the Minister of Munitions and Supply this committee is being given a very big task. The Minister of Munitions and Supply said at one time during his remarks that if there was any criticism due at all it was to this committee because his whole department had been open for investigation. If we are to be charged to investigate the whole of our war expenditures that is going to take a great deal more time than any member can give to such a task. We have to put some time in the House and some of us have a large amount of correspondence and other responsibilities. Even if this committee were to sit twelve or fifteen hours a day from now until the House closes or a month or so after the House adjourns we could not begin to do more than scratch the surface. I am therefore going to suggest that the committee take into consideration the advisability of securing the services of a secretariat or a cost accountant or a lawyer or some person who knows something about purchasing and contracting. I do think there ought to be counsel for this committee. There is excellent precedent for it. The Public Accounts Committee which investigated the Bren Gun contract—and that was only one contract—had one or two legal counsel. I think at first there was one and later he was given assistance—and we could not have done the work which that committee did if we had not had that assistance because we were able to go to him and say that we wanted certain figures worked out, and certain particulars and so and so and we would get the information. None of us had time to complete those figures even if we had the ability. If we have not got that assistance we are only playing at this thing.

The CHAIRMAN: If we are to investigate the Department of Munitions and Supply I can tell the committee that the department will have here at the disposal of all subcommittees their best experts to help in the work of the committee. I saw the Minister yesterday and I said, "Now, it seems that the trend is that we should investigate munitions in the sittings of these subcommittees"; and he said, "That is all right." I said, "We will need help from your department"; and he even named a Mr. Covert who would dispose

of all his time to help the members of the committee and of the subcommittees. He is an experienced man who has been in the Department I think since its inception and could give far better advice than we would get by bringing in legal counsel because such counsel would have to study the whole organization first. We will get any help from that Department that we wish.

Mr. REID: I do not think Mr. Douglas means legal counsel; I think he means expert.

Mr. DOUGLAS: I cannot accept that as an alternative proposal at all. This is not an examination of the Department of Munitions and Supply by the Department of Munitions and Supply, it is an examination of the Department by a committee of the House of Commons.

The CHAIRMAN: Certainly.

Mr. DOUGLAS: A committee of the House of Commons ought to have its own secretariat. The Department will come and present figures and data to this committee, but we ought to have our own secretariat who will make investigations from our own viewpoint. We may want the whole question of capital expenditures that have been made by the government—some five hundred million dollars—viewed in a certain light and have the figures considered on a certain basis. Their officials are going to have those figures considered on their basis and from their point of view.

Mr. BRADETTE: You do not mean the Government you mean the Department.

The CHAIRMAN: We could start in with the witnesses we call and every member would have a right to examine those witnesses completely on everything they want to know, and if we find we are in difficulties then I think would be the proper time to get accountants and legal men.

Mr. DOUGLAS: I would appreciate an expression of opinion on it by the committee. To suggest that we can leave this matter in abeyance until we run into some situation is not adequate at all. The committee is already too late in starting, more than half the session has passed, and if we are going to wait until we run into a given situation then we shall have to find a secretary and acquaint him with the particular problem he will have to study and by that time the session will be over. I suggest that we should have a small secretariat which would give its full time to gathering data for this committee and making investigations. It has been done before. I had the pleasure of working on the committee that investigated the cost of farm implements, and Mr. Graham, who is a member of this committee, was counsel for that committee, and I am not giving him any bouquets when I say that that committee would never have done the work it did had it not been that Mr. Graham worked for that committee as counsel, and he did an excellent job gathering data and presenting it to the committee, and he was able to give us information which was helpful to us in asking questions of the witnesses who appeared before us.

Mr. REID: This matter will have to be discussed by the agenda subcommittee.

The CHAIRMAN: It has been suggested to me that all members of the committee should transmit to the members of the agenda committee any suggestions which they have in mind. I believe the agenda committee will sit tomorrow afternoon at 4 o'clock and I am sure the agenda committee will welcome any suggestions from the members of the main committee.

Mr. HOMUTH: Would you name the three subcommittees you had last year?

The CHAIRMAN: They were known as subcommittees 1, 2 and 3. The main committee gave them special work. The subjects allocated to them were as follows:—

Subcommittee No. 1.

- (a) Contracts with civilian flying clubs, associations or companies;
- (d) Airport, aerodrome and Air Force buildings construction, specifications and designs for such products, and inspection thereof during construction;

Subcommittee No. 2.

- (a) Medical, dental and hospitalization services in the Army, Navy and Air Force;
- (b) Food supplies for the forces, inspection thereof, catering and salvage of waste.
- (c) Army and Navy buildings construction;

Subcommittee No. 3.

- (a) Headquarters establishments and pay and allowances;
- (b) Financial control over Army, Navy and Air Force expenditures.

Now, I gathered from speeches which were made in the House that it was the intention that we should investigate Munitions and Supplies, especially. Now money is spent in that Department in three broad and general ways; first, by contracts; second, by capital assistance; thirdly, by government owned companies. If you read the report that was made by subcommittee No. 3 you will find that division of the way expenses are met in that Department.

Mr. REID: Might I suggest to the agenda committee that the matter of contracts could very well be divided into three parts because contracts are so numerous and so great. For instance, there are shipping contracts and there are food contracts and munitions contracts and gun contracts. There might be fifty contracts under the heading of contracts alone. We are thinking of putting contracts under one subcommittee and capital expenditures under another.

Mr. BRADETTE: You are not going to go into every one of those contracts, surely; you have to standardize them.

Mr. HARRIS: With regard to Mr. Reid's remarks I might say that it is impossible for this Committee to cover the whole field of investigation, yet, in your opening remarks, Mr. Chairman, if you will read them over carefully, you will find that you intimated that the whole field is wide open. I did not like to interrupt you when you were making your opening statement. However, you said the field was wide open and that it might be possible for us to explore that whole field and to point out the ways in which economies might be effected. Now, I hope we do not go away from this room with the idea that it is possible for us to do that; we can only deal with cases here and there and yon; we cannot possibly cover the whole field. Let us be fair about that. We must realize that But your opening remarks would lead us to believe that everything is wide open: come in and look it all over. Now, when we are all through with this Committee we will be asked to sign the auditor's certificate at the foot of the balance sheet saying that everything is fine. As one member I do not purpose signing that for the reason that we are unable to audit the whole picture. We can just make a little test audit here and there and do the best we can in the interests of Canada and in the interests of the war effort. We will not be able to do what you led us to believe, Mr. Chairman, in your opening remarks.

The CHAIRMAN: You have implied that I said we would cover the whole ground; what I said was that we had the power.

Mr. HARRIS: Quite; and that the whole ground is open to us. Let us understand that we are not able to do that.

The CHAIRMAN: Coming back to the suggestion concerning the three divisions: you do not mean that you are going to enter into every contract or even every phase of contract or every phase of capital assistance; but it would seem to be a logical division for subcommittees to work upon since in the Department itself the money is spent in those three different ways. I did not want to leave

the impression that we are going to look into everything in the two or three months we are going to stay here because we have not the time and we have not the strength to go through the whole matter.

Mr. GLADSTONE: I would like to throw in a few thoughts for the consideration of the agenda committee. We have been sitting only a short time, but I might point out that four members have already left to attend other committee meetings. One criticism that followed at the conclusion of the sessions last year was that there were very infrequent meetings of the committee of the whole. The committee of the whole last year was seldom called and I think we should guard against that this year. I think it is possible that this committee of the whole should be called very frequently. I believe, Mr. Chairman, that you would do well not to follow the procedure followed last year when the chairman of the committee of the whole was also a chairman of a subcommittee. I believe you will find that you have all you can do without undertaking the chairmanship of a subcommittee.

With regard to a steering committee, I sometimes think that more of the work that is undertaken by that committee should come before the committee as a whole.

Now, in connection with the remarks made by Mr. Douglas, I just wonder whether the services of Mr. Graham who had such wide experience with the Agriculture Committee on the farm implement matter should not in some way be tied up in a large way in the preparation of work than would be the case if he were chairman of a subcommittee as he was last year.

Thinking along those lines before this meeting and without consultation with anybody I have mapped out an outline which I will give to the committee for whatever it is worth: (a) that we should have a committee on preparation and follow-up. That preparatory work would be to some extent the work that is undertaken by the agenda committee. The follow-up work is something that was mentioned in the House and I think it is very important. The subcommittees should report occasionally to the general committee when definite recommendations for economy and efficiency are made; and at the same time we should have some sort of a follow-up action so that appropriate action could be taken with the appropriate Minister. I suggest that the preparatory committee should consist of three members—three alert-minded members who have had experience in business, and that the chairman, naturally, would be one member, and I think Mr. Graham's experience would lend itself to making him a very valuable member of that committee. I would therefore suggest that consideration be given to that matter of a preparation and follow-up committee. I suggest also that the subcommittees do not be designated by names but that they be designated simply by numbers, for the reason that this year in connection with a larger field of investigation, namely, munitions and supplies, it is quite possible that all three or whatever number of subcommittees we may have may at one and the same time be working on different contracts or different features which come under the Department of Munitions and Supply; and it would be my thought that this preparation committee would designate a certain investigation to No. 1 committee or No. 2 committee or No. 3 committee, and that no committee would be barred by its specific beforehand reference from taking on the work of some investigation of contracts under Munitions and Supply.

Another thought I had has reference to sittings of the Committee during the recess. In the striking of these subcommittees consideration should be given to the fact that some members may be unwilling to sit during the recess and others may be willing to sit for a limited time only. Already I have heard members say that they could not sit for any lengthy period after parliament adjourned. I think if we knew beforehand just what month members would be willing to sit after the recess they could probably be grouped accordingly into subcommittees so that if certain subcommittees could not sit during the recess there would be no hindrance to some other subcommittees sitting during the recess.

Mr. MAYHEW: You are assuming that there will be a recess.

Mr. GLADSTONE: With regard to the evidence, this is an economy and an efficiency committee and we should free ourselves as far as possible from procedure that has no real value; so can we not find some means of avoiding the taking down of every spoken word? This practice caused delays last year in that the subcommittees could not sit until the recording staff caught up with the transcribing. It seems to me that in a well ordered business it has never been found necessary to take down each word that is said by each member of the board of directors; the vital thing is to get the conclusions and recommendations. It seems to me that if we had one stenographer attending a session, rather than having several stenographers working in relays, that stenographer could take from the dictation of the chairman the essential facts and recommendations necessary for the record. Ninety per cent of the recorded evidence of last year has gone into cold storage and it will never be seen again. I think we should limit this recording to things that are essential and that we should adopt the system in our committees such as would be followed in any well ordered business.

Mr. BLACK: Now, it is taken for granted that we are going to be divided up into subcommittees, and I agree with Mr. Johnston and others who have expressed their views that the opposition group should have a larger representation than it had on the committee last year. In view of the work that has been assigned to us I do not feel it is humanely possible with our small representation to discharge the responsibility placed upon us. There should be a larger representation of the opposition group on the subcommittees if they are going to function properly and if those of us who are assigned to these subcommittees are going to do the work expected of us. Therefore, I am going to make a motion that we should recommend to the House that the membership of this committee be increased by four, it being understood that two of the new members should be from the official opposition and one from the C.C.F. and one from the Social Credit groups. Otherwise, as one member of this committee from the opposition I do not feel it would be competent for me to sit on these committees and discharge the duties that are expected of me.

Mr. REID: I do not want to raise any objection to Mr. Black's remarks, but I think that is a recommendation for the steering committee.

The CHAIRMAN: I understood that these matters were to be sent to the agenda committee for discussion and then we would discuss them when we got the report of the agenda committee.

Mr. BRADETTE: I would ask Mr. Black to withdraw the motion. I am open-minded on that score, and I would go further than Mr. Johnston or Mr. Black. I would be in favour of having a good doctor or a good construction engineer to help us and I would also be willing to have an additional four members added to the Committee.

Mr. BLACK: This is a very important matter and I think this is the time to deal with it, but if it is the wish of the committee that consideration should be given to it later, and if it necessary to make a report to Parliament in order to get action upon it, I repeat I do not feel it is competent for me to sit on one of these subcommittees and discharge the duties and responsibilities which are expected of me as a member of this committee with our small membership in the opposition group.

The CHAIRMAN: Would you allow your suggestion to go to the agenda committee and in the meantime we will have an opportunity of thinking over what you have said.

Mr. REID: Nobody knows how many subcommittees there are going to be; there might be five or four or two; and until the agenda committee deals with the matter we do not know what is going to happen.

The CHAIRMAN: I am asking Mr. Black if he has any objection to withholding his motion until we get the report of the agenda committee.

Mr. Ross: Have we got to get the report of the agenda committee back before we can report to the House?

The CHAIRMAN: No, the agenda committee cannot sit without authority—well, it could sit—but we are asking for power to set up subcommittees in the report to-day. We have not the power to set up subcommittees now; but we expect to receive that power from the House this afternoon.

Mr. Ross: Have we not got to get the agenda report back to report to the House?

The CHAIRMAN: No. The agenda committee cannot sit—it could sit but we are asking power to set up subcommittees in the report to-day. We have not power to set up subcommittees right now, unless we receive power from the House this afternoon.

Mr. BOUCHER: Would it be possible to postpone application to the House for further power until the agenda committee has brought in its recommendation, so that we could put it in all at one time?

The CHAIRMAN: In order to appoint subcommittees we need power from the House. Why should we meet as an agenda subcommittee to set up subcommittees without having power to do it?

Mr. BOUCHER: To recommend that they be set up.

The CHAIRMAN: That is what we are asking the House.

Mr. BOUCHER: There is no necessity of going to the House of Commons to ask power to set up a little subcommittee within ourselves to make suggestions to this committee.

The CHAIRMAN: You are right there.

Mr. BOUCHER: Therefore that agenda committee could definitely meet and suggest what committees they think should be appointed and bring back to this committee a report, and we could defer our application to the House for further powers until this steering committee or agenda committee has brought in its recommendation.

The CHAIRMAN: Here is what we are asking of the House this afternoon—the powers to appoint subcommittees. That is the general principle and nothing else. We could discuss it at length but to-day you have decided we would ask the House for power to appoint such committees.

Mr. BOUCHER: Actually we are going to the House apparently asking power to appoint subcommittees when we do not know what subcommittees we want to appoint.

The CHAIRMAN: We do not even have to appoint subcommittees. We are only asking for power to do so. There is nothing obligating this committee to appoint subcommittees, if they do not feel like it.

Mr. REID: It is just like asking the House for power to sit while the House is sitting.

Mr. BOUCHER: I appreciate that.

The CHAIRMAN: Is Mr. Black agreeable that this motion stand?

Mr. BLACK: If that is your wish. But I think it is the very basis of the work of this committee. It would seem to me, in view of what the Prime Minister has said, and in view of the strong views expressed by the opposition group, that now is the time to deal with it. But if you wish to postpone it, I am not going to insist upon it now.

The CHAIRMAN: Then will someone move that we adjourn.

Mr. GLADSTONE: I move that we adjourn.

The committee adjourned at 12.35 p.m. to meet at the call of the chair.

R. ARSENAULT,
Clerk of the Committee.

THURSDAY, May 7, 1942.

The Special Committee on War Expenditures met at 4 o'clock p.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Abbott, Bercovitch, Boucher, Bradette, Chevrier, Cleaver, Douglas (*Weyburn*), Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Johnston (*Bow River*), Macdonald (*Halifax*), McIlraith, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Winkler.

The Chairman submitted a report from the agenda subcommittee which was considered and amended to read as follows:—

The Agenda subcommittee of the Special Committee on War Expenditures recommends:

1. That a subcommittee (No. 1) be appointed to inquire into the operations of government-owned companies, and, in addition, if considered expedient, to inquire into the following matters:

- (a) Contracts with civilian flying clubs, associations or companies.
- (b) Airport, aerodrome and air force buildings construction, specifications and designs for such projects, and inspection thereof during construction.

That such subcommittee consist of Messrs. Cleaver, Chairman; Black, Boucher, Golding, Pottier, Reid, Winkler, and that the quorum be 3.

2. That a subcommittee (No. 2) be appointed to inquire into the subject of capital assistance to contractors and, in addition, if considered expedient, to resume the inquiry into the following matters:

- (a) Medical, dental and hospitalization services in the army, navy and air force;
- (b) Food supplies for the forces, inspection thereof, catering and salvage of waste;
- (c) Army and navy buildings construction.

That such subcommittee consist of Messrs. Sissons, Chairman; Graham, Gladstone, Harris, Mayhew, Macdonald, Picard, and that the quorum be 3.

3. That a subcommittee (No. 3) be appointed to inquire into all matters relating to contracts and production, and, in addition, if considered expedient, to inquire into the following matters:

- (a) Headquarters establishments and pay and allowances;
- (b) Financial controls over army, navy and air force expenditures.

That such subcommittee consist of Messrs. Chevrier, Chairman; Abbott, Bercovitch, Bradette, Douglas, Homuth, Johnston, McIlraith, Ross, and that the quorum be 4.

4. That each of the subcommittees do report their findings and recommendations to the Committee.

5. That the Chairman be ex-officio a member of all subcommittees above referred to.

6. That the sittings of the said subcommittees be *in camera* except as the subcommittee may otherwise from time to time determine, and that four (4) copies only of the proceedings and evidence in sittings *in camera*

be made in typed script, one for the Chairman of the whole Committee, one for the Chairman of the subcommittee, one for the Clerk of the Committee, and one sent to the witness for correction and return; all copies to be in charge of the Clerk of the Committee when not in use.

Mr. Ross moved that the Report, as amended, be adopted.

Mr. Harris moved, in amendment thereto, that the report be further amended to the effect that the subcommittees be allowed to select their own respective Chairman.

The question being put on the amendment, it was negatived on the following division: Yeas, 6; Nays, 10.

Main motion carried.

The question of increased representation on the Committee of minority parties in the House, brought up at the last sitting, was further discussed.

Mr. Pottier moved that no addition to the present membership of the Committee be recommended.

Motion carried on the following division: Yeas, 14; Nays, 4.

With respect to the question of securing professional assistance for the Committee, it was generally agreed, after further discussion, that should the subcommittees require any such assistance in the course of their inquiries, they could report accordingly to the Committee.

On motion of Mr. Cleaver, the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

FRIDAY, May 29, 1942.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Bercovitch, Black (*Cumberland*), Boucher, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Johnston (*Bow River*), Macdonald (*Halifax*), Mayhew, Picard, Pottier, Reid, Ross (*Moose Jaw*), Sissons, Winkler.

The Chairman reported on behalf of the Agenda subcommittee, recommending that in addition to the subjects of inquiry previously referred to subcommittee No. 1, the said subcommittee be empowered to inquire into (a) aircraft production and contracts, and (b) shipbuilding.

Discussion followed, in the course of which the Chairmen of the three subcommittees reported briefly on the matters being inquired into by their respective subcommittees.

A re-allocation of subjects to be inquired into by the three subcommittees was suggested and, on motion of Mr. Ross, it was *Resolved*,—That the reference to each subcommittee be re-allocated as follows:

To subcommittee No. 1:—

- (a) Wartime Housing
- (b) Aircraft
- (c) Shipbuilding

To subcommittee No. 2:—

(a) Salvage

(b) Medical services and hospitalization

To subcommittee No. 3:—

Gun production

The Chairman read a communication from Mr. Gladstone, requesting that he be transferred from subcommittee No. 2 to subcommittee No. 3.

Mr. Johnston also requested his desire to follow the inquiry being made by subcommittee No. 1.

On motion by Mr. Bercovitch,—

Resolved,—That Mr. Gladstone be a member of both subcommittees No. 2 and No. 3; and that Mr. Johnston be a member of both subcommittees No. 1 and No. 3.

On motion by Mr. Harris,—

Resolved,—That the name of Mr. Sissons be added to the list of members on the Agenda subcommittee.

On motion of Mr. Pottier, the Committee adjourned to the call of the Chair.

A. ARSENAULT,

Clerk of the Committee.

FRIDAY, June 26, 1942.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Bradette, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Graham, Macdonald (*Halifax*), Reid, Sissons.

Mr. Chevrier, Chairman of subcommittee No. 3, presented the First Report of the said subcommittee relating to "Munitions Contracts".

The said Report having been considered and amended, Mr. Chevrier moved: That the First Report of subcommittee No. 3, as amended, be adopted as the Committee's Second Report to the House.

Motion carried.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,

Clerk of the Committee.

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SESSION 1942

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 2

FRIDAY, JULY 10, 1942
WEDNESDAY, JULY, 15, 1942
FRIDAY, JULY 17, 1942
SATURDAY, JULY 18, 1942

Including

THIRD, FOURTH, FIFTH, SIXTH AND SEVENTH
REPORTS TO THE HOUSE

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

FRIDAY, July 10, 1942.

The Special Committee on War Expenditures met at 11 o'clock, a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Fournier (*Hull*), Gladstone, Graham, Reid, Ross and Sissons.

Mr. Chevrier, Chairman of Subcommittee No. 3, presented the Second Report of the subcommittee, dealing with Gun Production.

The Committee proceeded to the consideration of the said Report.

Mr. Graham moved that the report be adopted as the Committee's Third Report to the House, with the understanding that production figures or any other information contained therein may be deleted if considered expedient in the national interest after consultation with the proper authorities.

Motion carried.

The Committee adjourned to the call of the Chair.

WEDNESDAY, July 15, 1942.

The Special Committee on War Expenditures met at 10 a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Cleaver, Fournier (*Hull*), Gladstone, Golding, Pottier, Reid, Sissons, Winkler.

Mr. Cleaver, Chairman of Subcommittee No. 1, presented the First Report of the subcommittee, on Wartime Housing, Limited.

The said report having been considered, Mr. Cleaver moved that the report be adopted as the Committee's Fourth Report to the House.

Motion carried.

The Committee adjourned until Friday, July 17, at 11 o'clock, a.m.

FRIDAY, July 17, 1942.

The Special Committee on War Expenditures met at 11 o'clock, a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Abbott, Bercovitch, Black (*Cumberland*), Boucher, Chevrier, Fournier (*Hull*), Gladstone, Graham, Harris (*Danforth*), Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), Pottier, Reid, Ross (*Moose Jaw*), Sissons, Winkler.

Mr. Sissons, Chairman of Subcommittee No. 2, presented the First Report of the subcommittee on "Salvage".

The report having been considered Mr. Chevrier moved that it be adopted as the Committee's Fifth Report to the House.

Motion carried.

The Chairman having invited suggestions relative to the future activities of the Committee, Mr. Gladstone moved:—

That, in the opinion of the War Expenditures Committee, the work that can be undertaken is such as to warrant the Committee continuing its sittings after the House adjourns.

After having obtained an expression of opinion from all members present, the Chairman read a communication from Mr. McIlraith, a member of the Committee presently on military duties, stating that he would be unable to sit during the period of adjournment if the Committee should decide to do so.

The Chairman reported similarly on behalf of Mr. Picard, also a member of the Committee, unavoidably absent from the meeting.

The question on Mr. Gladstone's motion being put, it was carried on the following division: Yeas, 7; Nays, 6; the vote being recorded as follows:—

Yeas: Messrs. Bercovitch, Boucher, Gladstone, Johnston (*Bow River*), Pottier, Reid, Winkler.

Nays: Messrs. Abbott, Chevrier, Graham, Macdonald (*Halifax*), Ross and Sissons.

On motion of Mr. Winkler,

Resolved,—That the House be requested to fix the quorum of the Committee at 6 members for the adjournment.

On motion of Mr. Abbott,

Resolved,—That the Chairman be authorized to report to the House requesting other necessary powers required by the Committee for its sittings during adjournment.

Mr. Sissons stated that a second report of Subcommittee No. 2 would be ready to be considered by the Main Committee to-morrow, and the Committee adjourned to meet at 10 o'clock, a.m., to-morrow, Saturday, July 18.

SATURDAY, July 18, 1942.

The Special Committee on War Expenditures met at 10 o'clock, a.m., the Chairman, Mr. Fournier, presiding.

Members present: Messrs. Black (*Cumberland*), Boucher, Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Johnston (*Bow River*), Macdonald (*Halifax*), Reid, Ross (*Moose Jaw*), Sissons, Winkler.

Mr. Sissons, Chairman of Subcommittee No. 2, presented the Second Report of the subcommittee on "Catering and Messing."

The said report having been considered, Mr. Sissons moved that it be adopted as the Committee's Seventh Report to the House.

Motion carried.

The Chairman presented the Committee's proposed Fifth Report, pursuant to the resolution adopted at the previous sitting with respect to sittings during the impending adjournment of the House.

On motion of Mr. Macdonald, the report was adopted.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

REPORTS TO THE HOUSE

THIRD REPORT

THURSDAY, July 16, 1942.

The Special Committee on War Expenditures has received from its Subcommittee No. 3 the following report on "Gun Production" which it has considered and adopted as its Third Report to the House:—

SECOND REPORT OF SUBCOMMITTEE No. 3

On May 29, 1942, a re-allocation of subjects was adopted by the Special Committee on War Expenditures. Gun Production was assigned to Subcommittee No. 3.

This committee had already started its investigation into gun production on May 27, 1942. It held 15 sittings and heard 5 witnesses. It visited the Canadian Elevator Equipment Co., the John Inglis Co., and the Small Arms plant at Toronto; the Otis-Fensom and the Canadian General Westinghouse plants at Hamilton.

The subcommittee begs leave to present its second report of findings and recommendations.

All of which is respectfully submitted.

LIONEL CHEVRIER,

Chairman of Subcommittee No. 3.

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 - (g) 25 PDR. Q.F. Equipment.
 - (h) 2 PDR. Anti-tank gun.
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- V. The Industry and Sub-contract Co-ordination Branch.
- VI. Findings.

GUN PRODUCTION

One of the important divisions of the Department of Munitions and Supply is the Production Group. It is subdivided into a number of branches, one of which has to do with the production of guns. The Director-General of Gun Production for Canada is Mr. H. J. Carmichael.

The story of gun production in this country is a fascinating one. At the outbreak of war Canada was not producing guns. To-day it is able to manufacture many types of weapons which are being used in every theatre of war. It is surprising to note the facility with which industry in this country has been able to shift from peacetime to wartime activity. When one considers that the art of manufacturing guns and ordnance is a new art in Canada and that the achievements and success in that art have been tremendous, one must come to the conclusion that the manufacture of guns in this country is one of the greatest industrial achievements of all times. Great credit for this reflects upon the ingenuity and willingness of Canadian men and women. They have worked hard and persevered until they have acquired the difficult technique of manufacturing weapons.

In order to accomplish this task, many obstacles had to be circumvented. Bottlenecks in industry were constantly in the way and almost as constantly overcome. It is proposed to consider under three headings the bottlenecks which had to be met in order to ensure maximum production. They are:

I. Materials.

II. Machine Tools.

III. Labour.

I. Materials

Iron and steel enter largely into the manufacture of guns. Priorities had to be placed upon these raw materials in order to divert them from civilian to war use. Industry was organized into groups.

Prior to the war Canada's maximum output of high grade steel of types and kinds necessary to produce guns and armaments, as well as high-grade cutting tools, amounted to a maximum of 15,000 tons per year. The present requirements exceed 400,000 tons per year. This obstacle was overcome by the expansion of Atlas Steels Limited at Welland, Ontario, who formerly were the only producers in this country. Their production has been increased from 15,000 tons prior to the war to over 200,000 tons per year. Dominion Foundries and Steel Limited, of Hamilton, were expanded to 100,000 tons per year. At Sorel, Quebec, there was installed a new high-grade steel foundry capable of turning out 50,000 tons per year.

The malleable iron castings group was set up and expanded.

In the drop forging industry the same procedure was followed. All commercial drop forgers were utilized. All companies having hammers that had never entered the commercial field were listed and booked to capacity before new facilities were purchased and set up.

There were delays from time to time in the program. These were not due to lack of planning or lack of co-ordination, but rather to overproduction. In machine shops, not only was the peak of production reached, but it was doubled and some times trebled on account of intensive training. In many cases the output far exceeded the forecasts.

For the balance of requirements high-grade quality open hearth steel is being substituted in the place of electric furnace steel. All of this tremendous expansion was accomplished without shutting down any of the existing plants. On several occasions during 1941 and 1942 plants were not able to work to

full capacity because of the lack of this very essential material. From the magnitude of the task, the bottleneck in materials could not have been overcome without the assistance of the steel industry and when the history of gun production in this country is told, it will be found that the steel industry has played a leading part.

II. Machine Tools

The second serious bottleneck facing industry in the expansion of gun production was and still is to a degree the scarcity of machine tools. Prior to the war, machine tools were practically all purchased from the United States. Our purchases from the United States have averaged over \$5,000,000 per month for the past eighteen months. The position is becoming increasingly difficult because the Americans have entered the war and the rapid acceleration of their program on priorities has a higher rating from an urgency standpoint, than our unfinished programs. In order to obviate this difficulty, Canadian industry has had to use a larger number of Canadian manufactured machine tools so as to make our programs more-self-sustaining.

In the month of May, 1942, our requirements were for 970 new machine tools. Of these, 500 would be made in Canada. This was a great stride. The ingenuity displayed by various contractors was such that the American Government has sent in to our plants their own technicians to study the methods adopted. In order to meet the demand old machine tools had to be used, revamped, new bearings put on, special jigs and fixtures added in order to do precision work. As a result, machine tools, costing \$30,000 and \$40,000 each, have been replaced by mass production tools at a cost of 25 to 30 per cent lower. These tools are standardized and will do a much more rapid production job than the high class universal machine tools and what is more, they do not need the skilled help required of these.

The introduction of single purpose machine tools is one of the most remarkable accomplishments of Canada's war effort. This program is being rapidly expanded to assist manufacturers and eliminate, wherever possible, the necessity of obtaining machine tools from the United States and/or England. It will be interesting to note that over half of our new machine tools ordered in the last sixty days were purchased from Canadian manufacturers. Furthermore, during the last six months there has been shipped from Canada to the United States approximately 1,000 Canadian manufactured single purpose machine tools to assist that country in its rapidly expanding program. As time goes on, these shipments of Canadian made machine tools will increase.

Only recently United States ordnance officers were diffident about placing contracts in Canada because of the fact that Canada, less than a year ago, had obtained all its machinery for making small arms ammunition in the United States. When it was agreed to supply 80 per cent of the new machine tools, these officers were amazed and, on the basis of this undertaking, a very substantial contract for small arms ammunition for the U.S. Ordnance was given this country.

Notwithstanding the rapid increase in the production of machinery, it was impossible to keep pace with demands of war industries. Reliance had to be placed upon thousands of small shops, to which various parts were subcontracted, making use of their existing machines and, at times, loaning them certain tools temporarily in order to hasten the completion of a contract. This service grew to such a proportion that there was set up what is known as the Industry and Subcontract Co-ordination Branch, of which more later.

III. Labour

The great expansion in all types of manufacture for the new mechanized warfare has resulted in a decided shortage of skilled mechanics and technical and supervisory personnel. As the program expands this problem becomes more

acute and the needs of the armed forces in all branches becomes greater. There has been a really remarkable accomplishment in the training of men and women for mass production on the part of our technical schools and colleges. Hundreds of our manufacturers have also instituted special training classes and schools to try to solve this specific problem and, to date, there has been experienced little difficulty in keeping the ranks of this type of worker well up to schedule by a well conceived plan of training personnel to meet the requirements as the schedules increase.

In a desperate endeavour to meet the shortage of skilled mechanics, men and women are being trained in the tool rooms as specialists. They become proficient—very proficient at single operations, but by no stretch of the imagination can they be termed skilled mechanics. They are, however, filling the gap in a very fine way.

Hundreds of female operators are being trained to become specialists in the grinding of precision tools, which eliminates the use of skilled mechanics. Apprentices are doing all the rough work on jigs, fixtures and tools, so that the skilled tool makers simply do the highly skilled final operations, thereby conserving their abilities to adjust the essential features. Every other ingenious method known is being employed to meet the program.

Your Committee was able to view this situation for itself. At the John Inglis plant, in Toronto, which it visited, it saw these female operators at work. In the month of March, 1941, there were employed at this plant 2,400 employees. Of this number, less than 5 per cent were female operators. To-day there are approximately 11,000 workers—8,000 of whom are female operators and by the end of July, 1942, it is estimated that of 15,000 workers the majority will be female. The same thing can be said of the Small Arms plant at Long Branch, which was also visited by your Committee. There, 50 per cent of the employees are female.

In the manufacture of guns, difficulties are constantly arising, but because of the exercise of various controls, it has been found possible to meet and overcome these obstacles. The Steel Controller, the Machine Tools Controller, the Power Controller, and various other controllers, have had to co-operate with the Director of Gun Production in order to meet the ever-increasing demands upon industry. Together they have accomplished a great achievement.

TYPES OF GUNS PRODUCED IN CANADA

There are thirty guns being produced in Canada. They are as follows:—

1. The 2-pound anti-tank gun manufactured by Dominion Engineering, now become obsolete and replaced by the 6-pound anti-tank gun.
2. Carriage to go with the 2-pounder gun and a change over of carriage to go with 6-pounder guns.
3. 40-mm. Bofors anti-aircraft gun—Otis Fensom Company.
4. 3·7 anti-aircraft gun—Hamilton Munitions Ltd., a subsidiary of Canadian General Westinghouse Company.
5. 90-mm. anti-aircraft gun barrels and 4·5 anti-aircraft gun barrels.
6. Mobile mounting—Canadian General Electric.
7. Trailer No. 27—carries ammunition for the 25-pounder gun—Frost and Wood Company Limited.
8. 4·5 and 5·5 artillery gun carriage—National Railway Munitions Ltd.
9. 0·5 Twin Vickers Naval Mount—Bata Shoe Company.
10. 2-pounder, Mark 8 Naval Mount—Canadian Locomotive.
11. 12-pounder "A", Mark 5 Naval gun—Canadian Pacific Railway.
12. 12-pounder, Mark 9 mount—Canadian Pacific Railway.

13. 2-pounder, Mark 8—Vickers Naval pompom gun—Dominion Bridge Company.
14. 2-inch, Mark 3, Secret mountings—Dominion Bridge Company.
15. 2-pounder, Mark 7, Quadruple mounting, which fires four of the 2-pounder, Mark 8 guns simultaneously—Dominion Engineering Company. This is the most difficult mounting made any place in the world.
16. 4-inch, Mark 19, twin mount—Trenton Industries.
17. 12-pounder, Mark 9 mount—Canadian Pacific Railway.
18. 12-pounder "A" Mark 5 gun—Sawyer Massey Limited.
19. 25-pounder gun and carriage complete—Sorel Industries Ltd.
20. 4-inch, Mark 16, Naval gun—Canadian National Munitions.
21. Bren Gun.
22. Browning .303".
23. Boys anti-tank rifle—John Inglis Company Limited.
24. Lee Enfield No. 4—Small Arms Ltd.
25. Sten sub-machine gun—Small Arms Limited.
26. 2" bomb thrower—Canadian Elevator Equipment Company.
27. 2" trench mortar bombs—The Holt Machine Company.
28. 3-inch trench mortar bombs—The Hall Machinery Company.
29. Browning M.G. 1919, tank machine gun—Border Cities Industries.
30. .5" Vickers Machine guns—Ottawa Car and Aircraft.

It is now proposed to study in greater detail those guns which are more urgently required by the armed forces. They are to be found in Canada, the British Isles and in every theatre of war. They are 11 in number.

THE BREN LIGHT MACHINE GUN

General Description

This air-cooled, gas-operated light machine gun of .303" calibre is essentially an infantry weapon, its chief characteristics being its power to deliver a volume of fire with the employment of relatively few men.

It is capable of a high rate of fire (550 rounds per minute), each gun being accompanied by a spare barrel. In order to preserve the life of each barrel they are interchanged after firing 10 magazines of 30 rounds each. The gun is equipped with a bipod and is normally fired from the prone position.

It is also used in the anti-aircraft role mounted on a tripod and fitted with a 100-round drum-type magazine.

This weapon is the backbone of infantry firepower in all of the Empire Armies.

Range

When fired from the bipod, the effective range is 1,000 yards. When fired from the tripod, given good visibility, this distance may be increased.

Maximum range is estimated to be 2,000 yards.

Three types of ammunition are used—Ball, Armour Piercing and Tracer.

Capital Assistance

Total capital assistance granted to the John Inglis Company for Bren Gun production amounts to \$9,004,544.86.

Cost

Since obtaining substantial production, monthly cost checks have been made. The degree of reduction achieved to date may be judged from the following:—

Date	Cost
Beginning of 1st Quarter, 1941.....	\$390 59
End of 1st Quarter, 1941.....	325 79
End of 2nd Quarter, 1941.....	278 04
End of 3rd Quarter, 1941.....	251 63
End of 4th Quarter, 1941.....	204 63
End of 1st Quarter, 1942.....	192 28

It is noteworthy that scrap value for April amounted to only \$3.48 per gun and that to date, only sufficient scrap parts have been available to complete 393 Drill Purpose guns—1.1 per cent of the total service guns produced.

Certain additional details concerning this gun cannot be published for reasons of security.

THE .303 BROWNING MACHINE GUN

General Description

This air-cooled pneumatically-fired, machine gun is standard equipment for Empire aircraft which may be equipped with 2, 4, 6, 8 or 12 guns depending on the type of plane and its tactical use.

Three types of Browning machine guns for aircraft are produced in Canada, for mounting in various types of turrets or in fixed wing positions.

Firing from belts containing 300 to 500 rounds, the Browning gun has the greatest destructive power of any weapon of this calibre. In combat, enemy planes can be literally sawn in two, and 5,000-ton merchant ships have been sunk by concentrated fire along the water line.

Range

The effective range is 600 yards, using Ball, Armour Piercing, or Tracer ammunition. For special assignments, incendiary ammunition may also be used.

Capital Assistance

Total capital assistance authorized to the John Inglis Company for the production of Browning Machine Guns amounts to \$9,506,367.00.

Cost

Progressive reduction in cost has been achieved as follows:

November 15, 1941.....	\$402 99
December 27, 1941.....	282 61
January 24, 1942.....	250 12
February 21, 1942.....	240 99
March 28, 1942.....	227 31
April 25, 1942.....	220 50

Certain additional details concerning this gun cannot be published for reasons of security.

THE BOYS ANTI TANK RIFLE

General Description

The Boys Rifle is a single shot, hand operated weapon with a simple bolt action, having a calibre of 0.55 inch, fired from a bipod.

It affords a means of protection against enemy light armoured fighting vehicles, having great accuracy because of the long barrel, and good penetration.

The relatively heavy recoil is largely absorbed by a recoil-reducer on the muzzle, an 800-pound buffer spring, and a sponge rubber shoulder pad.

Capital Assistance

Total capital assistance provided to the John Inglis Company for the production of Boys Rifles amounts to \$5,012,678.50.

Cost

This weapon is just passing through the initial production stage. Preliminary costs are now being determined but are not yet available.

Certain additional details concerning this gun cannot be published for reasons of security.

THE 2-INCH BOMB THROWER

General Description

The Bomb Thrower is used exclusively as defensive armament in Tanks for the purpose of laying down a smoke screen.

The barrel is flanged and jointed, the outer half being bolted to the Tank hull or turret and projecting from it; loading being accomplished by unlocking and swinging the inner half open. Firing is done manually by a conventional pistol grip firing mechanism. Canada is manufacturing all of the Bomb Throwers produced in North America, and installations are being made in both Canadian and American built tanks, in addition to shipment of Bomb Throwers direct to the United Kingdom.

Capital Assistance

Total capital assistance provided to the Canadian Elevator Equipment Company for the production of Bomb Throwers amounts to \$204,301.00.

Cost

The first cost was struck on completion of the first 1,000 units, resulting in a figure of \$155.45, which compares very favourably with the original estimate made on a small quantity and much lower production rate, of \$255.00 each.

Substantial further reductions are expected.

Certain additional details concerning this gun cannot be published for reasons of security.

THE No. 4 RIFLE

General Description

The No. 4 Rifle is the modern equivalent of the Lee-Enfield Rifle used in the First Great War. It is somewhat lighter than the Lee-Enfield and is equipped with a new style short bayonet, and simplified backsight. The Magazine holds two charges of five rounds each. Fifteen aimed shots can be fired per minute by trained personnel.

Some rifles, especially selected for accuracy are equipped with special Telescopic Sights for Snipers.

Range

Effective range is approximately 1,200 yards, with a maximum range of 2,000 yards. Ball, Armour Piercing and Tracer ammunition may be used.

Capital Assistance

Total capital assistance authorized to Small Arms Limited for the production of No. 4 Rifles amounts to \$7,130,328.57.

Cost

Comparative monthly costs provide a graphic measure of the effects of increasing volume and improvement in manufacturing efficiency as follows:—

Date	Cost*
September, 1941.....	\$97 43
October	82 91
November	73 99
December	62 15
January, 1942	61 11
February	59 35
March	57 13
April	47 43

* Includes Rifle, Bayonet and Scabbard.

Certain additional details concerning this gun cannot be published for reasons of security.

THE STEN MACHINE CARBINE

The 9-mm Sten Machine Carbine was developed in the United Kingdom during 1940-41 to meet requirements for large numbers of "Tommy" guns. The design was kept as simple as possible, in order to combine reliability with ease and cheapness in manufacture.

The photograph and all details concerning this gun cannot be published for reasons of security.

THE 25-PDR. Q.F. EQUIPMENT

General Description

Unlike the horse-drawn steel-tired 18-pdr. and limber of the First Great War, the modern 25-pdr. Equipment consists of the gun mounted on a pneumatically tired gun carriage and Trailers drawn by an Artillery Tractor capable of sustained cruising at 45-50 miles per hour on roads. A second ammunition Trailer accompanies each gun, two Trailers to one tractor.

The *gun and carriage* are designed primarily for flexibility and steadiness in action, combining the high velocity and long range features of a "gun" with the high-angle and steep descent characteristics of a "Howitzer". Complex in construction (2,500 different parts), but highly mobile and manoeuvrable in action, it is equally suitable for bombardment, barrage laying, demolition or anti-tank defence.

In action it may be revolved on a turn-table permitting rapid change in direction. The weight of the gun and carriage is 3,800 pounds. In transit, one *Trailer* is hooked to the gun-carriage in order to ensure flexibility of load behind the tractor, and carries 32 rounds of ammunition together with a number of small stores. It incorporates 750 parts and weighs some 3,400 pounds loaded.

25-pdr. *ammunition* is of the separate quick-firing type, that is, the cartridge case containing the propellant, and the projectile, are loaded separately in order to facilitate varying the charge. The projectile may be High Explosive or Smoke Shell having either time or percussion fuzes, or Armour Piercing shot, weighing 20 pounds.

Capital Assistance

The total capital assistance authorized to Sorel Industries Limited for the production of the 25-pdr. gun and carriage amounts to approximately \$7,500,000.

The total capital assistance for the production of No. 27 Artillery Trailers granted to Frost and Wood Limited amounts to \$286,112 and to Richardson Road Machinery Company, \$44,868.40.

Cost

The cost of a gun and carriage as produced by Sorel was \$14,263 as of April last. It is estimated that in each succeeding month a reduction approximating \$300 is being achieved. To the above figure must be added approximately \$9,000 to cover the cost of ancillary and free issue stores required to complete a 25-pdr. Gun and Carriage, the total cost thus approximating \$24,000.

Two No. 27 Artillery Trailers, including Ammunition Trays and free issue items amount to approximately \$3,000.

Sighting Equipment as manufactured by Research Enterprises Limited costs approximately \$1,200.

Thus the total cost of a 25-pdr. Equipment, consisting of one gun and carriage, two Trailers, Sighting Equipment and ancillary stores amounts to approximately \$28,200. This does not include the cost of a Tractor.

Certain additional details concerning this gun cannot be published for reasons of security.

2-PDR. EQUIPMENT—TANK AND ANTI-TANK AND 6-PDR. EQUIPMENT—TANK AND ANTI-TANK

General Description

These two guns are used for anti-tank defence, mounted on two-wheeled rubber-tired carriages. They are also mounted in tanks and are thus offensive as well as defensive weapons.

While in general appearance they do not differ materially from field guns except in size, their design is such as to permit high muzzle velocities and very rapid traverse. This rapid traverse enables the gun to be quickly aimed at moving objects, such as tanks and armoured fighting vehicles, and the high muzzle velocity, together with the solid shot used, makes possible armour-piercing results much greater than the calibres of the weapons would indicate.

Range

The range of the 2-pounder Gun at 12° is 5,000 yards.

The type of ammunition used in these two guns is a solid armour-piercing shot having, of course, no fuse but having a tracer, to show observers the flight of the shot.

Capital Assistance

The total capital assistance granted to the Dominion Engineering Works, Limited and Regina Industries, Limited, who are producing these two types of Equipment, is \$15,474,100, the latter Company having received \$3,873,312 of this for the production of Carriages for the guns.

Cost

While costs are not yet available, production efficiency at the Dominion Engineering Works can be judged by a comparison of the reductions achieved in man-hours per gun, as follows:—

2-pounder		6-pounder	
Gun Serial Number	Man-hours	Gun Serial Number	Man-hours
1	1219	30	930
200	872	100	630
585	631	200	530
1115	390	800	400
1535	372	Current	375
Current	350		

Certain additional details concerning this gun cannot be published for reasons of security.

THE 40 MM. BOFORS ANTI-AIRCRAFT GUN

General Description

The 40 mm. Bofors Anti-Aircraft Gun is a complicated weapon consisting of approximately 1,800 separate parts. Design is such that it can be fired single shot, as well as automatically, which is the usual type of operation.

Fire control equipment is arranged so that the gun is normally aimed by remote predictor control, although open sights are provided for direct sighting.

The gun is mounted on a four-wheeled carriage, thus being capable of rapid movement to any desired locality. In action, it is stabilized by the use of levelling jacks on arms extending to the left, right and in front of the mounting.

On account of its rapid rate of fire, it constitutes one of the best known defences against low-flying and dive-bombing airplanes.

Ammunition is loaded manually in charges of five rounds each.

The type of ammunition used is a high explosive shell with a percussion fuse and a tracer and igniter. The fuse causes the shell to explode on contact with an object, and, failing to hit an object, the shell is exploded by the action of the igniter, so that any damage caused by the bursting of the shell will take place in the air.

Capital Assistance

Total capital assistance granted to the Otis-Fensom Elevator Company, Limited, producing Bofors Equipment is \$14,332,751. This includes \$3,069,044 for the barrel plant, which has capacity for U.K. and U.S. orders.

Cost.

The original cost of the Bofors is being rapidly reduced, but details are not available at the present time. Illustrative of the improvement in production methods however, is the steady reduction in man-hours required to produce one-barrel, as follows:—

Date	Man-hours
October, 1940.....	186
January, 1941.....	96
March, 1941.....	77·4
August, 1941.....	70·7
November, 1941.....	57·3
February, 1942.....	54·8
June, 1942.....	44·8

Certain additional details concerning this gun cannot be published for reasons of security.

THE 3·7-INCH Q.F. ANTI-AIRCRAFT EQUIPMENT

General Description

Like the Bofors, the 3·7-inch A.A. Gun is mounted on heavy pneumatic tired wheels and thus has a high degree of mobility necessary under conditions of modern warfare. In action, the gun and mounting are stabilized by four levelling jacks, two extending to the front and two to the rear.

The gun is aimed manually by gunners, in response to dial indications of elevation and bearing which are supplied by a predictor serving a battery of either two or four guns. Fuses are set automatically for range by a fuse setting machine on the mounting, which is also operated by the predictor.

The type of ammunition used is a High Explosive shell, fused with a time fuse but having no tracer. This fuse is set to burst at a definite time and therefore at a definite distance from the gun and consequently the explosion takes place in the air whether or not the shell hits its target.

Capital Assistance

Total capital assistance granted to the Hamilton Munitions, Limited, for the production of the gun is \$11,894,310 and to the General Electric Company Limited for the mounting \$15,430,912. It should be noted that the capital assistance to Hamilton Munitions includes \$6,953,358 for the production of barrels with capacity for U.K. and U.S. orders.

Cost

A definite cost is not yet available, although it is estimated to be in the neighbourhood of \$60,000 per Equipment.

Certain additional details concerning this gun cannot be published for reasons of security.

INDUSTRY AND SUBCONTRACT CO-ORDINATION BRANCH

The Industry and Subcontract Co-ordination Branch was organized in July of 1941. It was set up by the Minister of Munitions and Supply to assist the Production and Purchasing Branches of the Department and all manufacturers. Its purpose is to speed the manufacture of all war materials by obtaining the maximum use of Canada's existing facilities.

Subcontracting may be defined as follows:—

Placing work, which would normally be performed in the Prime Contractor's plant, on equipment other than that owned by the Prime Contractor.

The guiding policy of the Branch is one of help and co-operation, governed by the following principles.

These eight principles are all subordinated to the necessity for making as much war material as possible, as soon as possible:—

1. When efficiency can be maintained, available machines must be put to work before more of the same type are recommended for purchase.
2. Whenever feasible, and efficiency can be maintained, plants shut down due to war restrictions shall be put into war production.
3. Whenever possible, contracts are to be broken down into sizes to suit the available productive capacity.
4. Whenever possible, shops are to be recommended for work similar to that to which they are accustomed and for which their machines and tools are adapted.
5. Good machines with skilled operators under experienced direction are to be employed before less efficient organization.
6. Shops must not be overloaded while other capacity is available.
7. Modern and efficient methods of production must be encouraged.
8. All services must be rendered with the utmost dispatch and with a minimum of formality.

Subcontracting is vital to our war effort when it enables us to get into production quickly without waiting months for machinery to arrive and be installed. In a great many cases it can get remarkable efficiency by using the facilities already available in Canada and without adding unnecessarily to the burden of our public debt. This is no longer a debatable point. It has been demonstrated so very often. The amazing motor car industry was built by subcontracting and still performs its miracles of war production by that method.

The Prime Contractors who are doing the best jobs are the ones who are doing the most subcontracting. So far this subcontracting has been undertaken voluntarily and should be continued in a democratic way. It must be realized now that the time for expanding productive facilities is past. From now on, if additional capacity is needed, use must be made of existing facilities whenever possible.

This Branch places no contracts by itself, nor does it tell the Prime Contractors where they must place their subcontracts. It is obvious that the Government cannot make a Prime Contractor responsible for carrying out a contract and then tell him where he must get his outside work done. It is important to understand this function of the Branch. Many people seem to be of the opinion that the Industry and Subcontract Branch has been set up for the purpose of obtaining work and contracts for smaller shops. That is a mistaken idea and it should not be thought that every machine in the country should be in full war production twenty-four hours a day. That is neither possible nor reasonable. Shops will remain idle because of shortages of steel and other raw materials. Frequent changes of design make it impossible to tool up a large number of shops. Industries, such as the sheet metal industry, can only take a limited share of the load, because this is not a sheet metal war. In order to recommend firms as subcontractors the following qualifications must be taken into consideration:—

1. Has it a skilled organization?
2. Has it good management and supervision?
3. Is there sufficient power?
4. Does it present transportation difficulties for raw materials and for supervision?
5. Has it the critical tools needed to do the job?

The I.S.C. Branch has a number of district offices located across Canada. These are to be found at Vancouver, Winnipeg, Toronto, Montreal and Saint John, N.B., with sub-offices being opened at the present time in Calgary, Windsor, Ont., Hamilton and Halifax. Machine owners have a definite responsibility to keep the nearest district office of the I.S.C. Branch constantly informed as to their available idle hours. They should give the nearest district office of the I.S.C. Branch an estimate of future idle hours every thirty days.

The I.S.C. Branch maintains a constant liaison with the Production and Purchasing Branches of the Department of Munitions and Supply.

This Branch has done excellent work with reference to displaced industries. The war economy, with its controls and restrictions, has forced many industries to curtail or to abandon their normal peacetime production. These conditions have created an economic problem unique in Canadian Industrial history. The economic implications of industrial displacement are, of course, broad. The impact of the dislocation is being felt throughout the whole national economy.

In view of this and of a number of cases coming before the I.S.C. Branch for consideration, it was found necessary to establish a subdivision of the Branch to handle these cases. This has been set up, is now in operation and is called the Displaced Industries Division of the Industry and Subcontract Co-ordination Branch and its special problem is trying to work displaced industries into the war production scene.

The purpose of the Division is twofold. First, it ascertains what industries are displaced, and second, it assists, where possible, in the conversion of these industries to wartime production.

The following questions are immediately raised by the previous paragraph:—

1. When does an Industry become displaced?
2. What can be done about it by:
 - (a) The Department of Munitions and Supply, and
 - (b) The Industry itself?

An industry becomes displaced when it curtails or ceases its normal production and does not offset this through conversion of some other type of production. Obviously there are various degrees of displacement. An industry is wholly displaced if all of its facilities are idle. It is partially displaced if some

of its facilities are idle. A plant utilizing its facilities eighteen hours per day is not displaced. Profits do not enter the picture at all. Displacement relates to idle capacity and idle labour. It does not relate to Profit and Loss.

When displacement occurs, there are several courses of action which might be followed:—

1. The industry might substitute non-essential raw materials for the critical materials which it has used in its products.
2. The industry might convert from one line of civilian goods to another, which does not require critical raw materials.
3. The industry might convert in part or in whole to the production of war stores.

It is only in the third case that the Department can be of assistance, and even then, there are definite limitations to the assistance which can be rendered. The Displaced Industries Division has neither the authority nor the facilities for nursing sick businesses. In the first report of this Committee it has been found that the Department of Munitions and Supply is solely a procurement agency. It lines up sources of supply and buys the goods of war. It follows then that the only way in which the Displaced Industries Division can assist a displaced industry is to buy needed war supplies from them—when they can do so in accordance with sound purchasing policy. The first report of our sub-committee further pointed out that the Department of Munitions and Supply purchases not only for the armed forces of Canada, but for all of the United Nations. United States dollars and British pounds cannot therefore be used to subsidize Canadian non-war industry.

One of the common misconceptions on the part of potential subcontractors is that it is the duty of the department, particularly of the I.S.C. Branch, to get small plants into production and to spread the work. This is an erroneous conception of the whole situation.

The duties of the I.S.C. Branch are to find sources of production for Government Purchasing Departments and for Prime Contractors, when required, and to undertake such functions of co-ordination as were possible.

It cannot be too strongly emphasized that this Branch does not place contracts. Under no circumstances has the I.S.C. Branch any authority to grant contracts. Its business is to seek out sources of supplies for Government Purchasing Branches and for Prime Contractors and it is the duty of the Government Branch to find the Prime Contractor and when he has been found to subcontract it where he sees fit. The responsibility for production rests upon them and not upon this branch. The I.S.C. Branch is frequently entrusted with investigating applications for capital assistance. In the course of these applications subcontractors have been employed in order to avoid purchase of machines and the erection of buildings. Great savings have been effected by this method.

The branch is also in complete charge of machine tool rentals. It is its business to investigate the application for machine tools from Citadel Merchandising Company and to report to the Production Committee on them. If the machine tools are rented to the subcontractor, then the I.S.C. Branch is responsible for periodic inspection and for reporting as to the conditions of the machines and the use being made of them.

FINDINGS

1. Your Committee has completed an inquiry into the production of guns. It finds that the art of manufacturing guns is difficult and intricate. It is of opinion that this Branch of Munitions and Supply has done a magnificent job both in the manufacture and production of weapons.

2. Your Committee further finds that there is duplication and overlapping in the inspection of guns and recommends that this be eliminated. Originally, there were two groups of inspectors in one plant; that is, Canadian inspection and British inspection. This, naturally, gave rise to difficulties. At a later stage it was agreed that the United Kingdom and Canada Inspection Board, under General Locke, should handle all inspection both for the Canadian and the British program, so that inspection as it stands to-day is entirely under the jurisdiction of that Board.

3. There is, however, a responsibility for inspection on the part of industry and it has been the practice of industry to have on hand a large number of inspectors who inspect each part of a gun separately and then, later, the gun itself after it has been completed. Once that inspection is over, there must still be a further inspection by the United Kingdom and Canada Inspection Board. There exists, therefore, two classes of inspectors, one representing industry and the other the U.K. Board. In the plants visited by your Committee, hundreds of inspectors were seen at work going over parts of these guns. In the same plant are to be found a similar number of U.K. inspectors who have to repeat the same operation. Your Committee learned of one plant where there were 600 inspectors representing industry and 800 representing the United Kingdom Board.

4. When this country started out to manufacture guns, inspection at that time could not be too rigid. Every precaution had to be taken in order to ascertain efficiency in the weapons and in order to establish for the manufacture of Canadian arms a reputation in which confidence could repose. In those days it was necessary that both industry and the U.K. Board should carefully inspect each part of every gun manufactured here, but we have now reached the point where our ability and our efficiency in the production of weapons should warrant a relaxation, so far as inspection is concerned. This Committee feels that one Group only of Inspectors should be employed. The other Group should confine itself to the final inspection and technical problems. Inspection of the nature heretofore held is extravagant from a cost angle.

5. The present inspection methods are predicated on a peace-time system prevailing in England, and are not in accordance with the latest up-to-date practices prevailing in wartime in England.

This we feel calls for an immediate change. The Canadian inspection should be put on the same basis as that prevailing in England under the existing urge of wartime necessity.

6. Your Committee recommends that, in view of the increased knowledge attained in the art of manufacturing munitions, a complete system of spot inspection and final inspection of the completed article should be set up. It feels that, at the present time, that is all that is required in most instances. The executive management over inspection should be placed in the hands of the Production Committee. If this recommendation is adopted, several thousand inspectors could be profitably employed elsewhere in the production of guns. Since labour is one of the bottlenecks referred to in our report, a great saving could be made in this regard. By the adoption of this recommendation hundreds of thousands of gauges could be taken from the Inspection Branch and used profitably in another branch. If this recommendation is put into effect, the Committee believes that the economies effected might easily run into several millions of dollars.

7. Your Committee approves of the system which has already been set up in the Gun Production Branch to effect savings on accessories to small arms. In addition to a month-to-month reduction in the cost of various small arms weapons, studies of accessory items have been made to effect economies through:--

- (a) Simplification of design.
- (b) Elimination of non-essential items.

By putting this method into operation great savings have been effected. Thus far, the method has been employed only in connection with small arms. Your Committee feels that it should be extended to the heavier guns.

8. The Industry and Subcontracting Branch was set up for the purpose of speeding the manufacture of war materials by obtaining the maximum use of Canada's existing facilities. It has often been called the "bits and pieces" program. It is not a duty of this Branch to find industries for any locality. Their job is that of procurement—procurement for the Army, Navy and Air Force of Canada, Britain and the other United Nations. It has been suggested that the I.S.C. Branch might come to the rescue of small shops who find themselves out of work or displaced to some extent by requiring the prime contractor to subcontract to those smaller shops. This, we find, would be impracticable because, as has already been said, the prime contractor cannot be made responsible for carrying out a contract and then be told where he should get his outside work done; but your Committee does recommend that there be added in the contract with the original contractor a clause requiring the prime contractor to subcontract items where it is possible to do so consistent with efficiency and economy and requiring the prime contractor to utilize the facilities of the I.S.C. Branch to that end.

9. Your Committee is further of the opinion that no machine tools should be supplied to any prime contractor, where it is known that there exists an unused capacity of machine tools of the type required and which can be economically and efficiently utilized.

10. Your Committee feels that it is preferable to persuade prime contractors to subcontract rather than force them to do so. So far as the general public is concerned, it is necessary to explain to them the difficulties involved in subcontracting and the necessity of having work placed where it can be produced efficiently rather than being placed for the purpose of relieving economic distress; consequently your Committee recommends the expansion of the educational program of the I.S.C. Branch:—

(a) to Prime Contractors

(b) to the General Public

All of which is respectfully submitted.

ALPHONSE FOURNIER,

Chairman

FOURTH REPORT

THURSDAY, JULY 16, 1942.

The Special Committee on War Expenditures has received from its Subcommittee No. 1 the following report on "Wartime Housing, Limited" which it has considered and adopted as its Fourth Report to the House:—

FIRST REPORT OF SUBCOMMITTEE NO. 1

This Subcommittee was re-appointed on May 7, 1942, and was directed *inter alia* to inquire into the operations of Government owned companies. The Subcommittee has not completed its inquiry but begs to make an interim report with respect to Wartime Housing, Limited.

In making its inquiry into the operations of this company the Subcommittee has followed the practice of the British Committee on War Expenditures and, as a consequence, in addition to receiving evidence of the actual expenditures made by this company the Subcommittee has also checked the magnitude and

causes of our present housing shortage with a view to determining both the efficiency and the adequacy of the operations of Wartime Housing, Limited to cope with the housing problem. In making its study the Subcommittee, while constantly keeping in mind the fact that in time of war not one unit of labour and not one pound of essential war material should be needlessly consumed for domestic purposes, has also kept in mind the fact that careful planning now will, when the war is over, enhance the salvage value of present housing construction.

Wartime Housing, Limited (a wholly owned Government company) was incorporated on February 28, 1941, with its Head Office at 55 York Street, Toronto. The company was incorporated for the purpose of building homes for workers on munitions and supplies and defence projects. The directors of the company are as follows:—

Mr. J. M. Pigott, President and General Manager of the Pigott Construction Company, Hamilton, Director of the Dominion Bank, Director Canada Steamship Company, Director Landed Banking and Loan and other companies.

Mr. W. L. Sommerville, F.R.I.C.A., Past President, Royal Architectural Institute.

Mr. Charles David, President, Quebec Architectural Association.

Mr. Robert Gourlay, President, Beaver Lumber Company.

Mr. Headley Wilson, Manager, Maritime Trust.

Mr. W. I. Tidds, Director, Halifax Relief Commission.

Mr. A. Ingles, Secretary, Dominion Trades and Labour Congress and head of the International Electricians Union of Canada.

This company was given the responsibility of erecting a large quantity of suitable housing units in those parts of Canada where war industries have created a serious housing shortage; this shortage having reached a point where production of war industries would be seriously interfered with unless additional housing accommodation was supplied. The size of the problem is difficult to determine. The Subcommittee heard evidence from many of the mayors of large cities where war production is concentrated and finds that in one city, since the outbreak of war, the population has increased by over 20,000 inhabitants. The Subcommittee finds that the housing shortage caused by this temporary movement of labour from its normal residence to locations where war industries are concentrated has resulted in very serious congestion. Many instances were given to the Subcommittee of 8, 9 and 10 families living in 8, 9 and 10 room houses, one room per family and one bathroom per house.

Detailed surveys were immediately made by Wartime Housing, Limited in all parts of Canada where serious housing shortages had developed as above indicated. Studies were also made to determine the most suitable type of house to build that would be uniform across Canada, sufficiently attractive in appearance to satisfy the workers, having good living facilities and at the lowest possible cost. Since incorporation the company has secured approval by Orders in Council of many building projects totalling 11,842 homes and 85 staff houses and other special buildings at a total estimated cost of \$45,021,761.56, under which projects 5,385 homes and 72 staff houses and other buildings have been completed at a total cost of \$33,448,715.93 and are now occupied.

In every municipality where Wartime houses are to be built, local advisory volunteer committees are set up to assist in regard to the choice of site, the erection of the buildings and the management of the buildings after they are completed. These local committees act as a small board of directors and are composed of outstanding, public spirited men in the different local communi-

ties; merchants, bankers, service club officers, etc. Appreciation of the voluntary services of these local advisory committees should be expressed for the valuable contribution they are making. These advisory committees employ a manager and necessary office staff. At the end of April, 1942, nearly a half million dollars had been collected in monthly rentals with a rental loss written off of \$317.16.

After making a very thorough study of the entire problem the directors of Wartime Housing, Limited, decided that the most appropriate type of house to build to meet the emergency was a frame dwelling on posts, semi-prefabricated in construction, of three different standard types only, H. 1, H. 11 and H. 22, subject to different exterior modifications to obviate monotony in design. The reason assigned for the choice made of a semi-sectional house was to increase post-war salvage value and to cheapen construction costs. The homes have two or four bedrooms, are fully insulated and equipped with three-piece bath, electric light and hot air circulating heater. They rent from \$22.00 to \$30.00 monthly. By way of comparison it should be noted that monthly payments to retire principal, interest and taxes with respect to permanent homes built under the National Housing Act and furnishing similar housing accommodation are from \$20.38 to \$26.50 monthly on a twenty-year basis. It should also be noted that the monthly payments made by Wartime Housing tenants do provide for principal retirement but no property rights accrue to the tenant. The Subcommittee has made inquiries of some of the existing tenants and finds that heating costs are low and that the homes furnish healthful housing accommodation for their occupants. Isolated instances have occurred where defects in construction require correction. The average cost across Canada for all of the homes built by Wartime Housing, Limited and occupied down to April 30 last without including cost of local improvements such as water mains, trunk sewers, etc., is \$1,897 per home for the two-bedroom house and \$2,600 for the four-bedroom house. In addition to the cost of the house the average cost per dwelling unit for local improvements is \$705. The cost of the sectional feature of houses built by Wartime Housing, Limited, being just the rough frame work, does not exceed 25 per cent of the total cost of the house. The Subcommittee has not been able to obtain any satisfactory evidence as to the salvage value of the houses at the conclusion of the war. Undoubtedly, heavy loss will occur when the problem of salvaging these Wartime houses arises. The Subcommittee believes that this problem should be carefully studied and that it may be possible to substantially increase salvage value by the sale of houses and lots to owners who will turn them into permanent homes by building basements underneath them.

The general policy of the Company, as ascertained by agreements which have been entered into with many of the local municipalities, is that all of the houses built by Wartime Housing, Limited will be torn down or moved away within six months after the cessation of hostilities. The reason assigned by Wartime Housing, Limited, for this policy is that the present housing shortage is not a permanent problem and that if the houses were built as permanent homes they would not only cost more money to build but would cause a post-war glut on the market in the respective communities where they are built.

Some of the Mayors of city municipalities appearing before the Subcommittee expressed strong views that Wartime houses should be removed at the conclusion of the war on account of the fear that they would become slum areas. The Subcommittee finds that, in the main, these houses are constructed in such a manner that a slum condition would not necessarily follow if these houses were built on permanent foundations with cellar accommodation.

In view of the temporary nature of the homes and in order that the highest possible return to the Government of moneys expended should be achieved, agreements have been negotiated with the different local municipalities interested

providing for the payment of small yearly sums ranging from \$10.00 to \$30.00 per home and providing for no further form of municipal taxation. These agreements have since been validated by special legislation passed by the different Provincial Legislatures.

In view of the temporary nature of the projects, the building sites have not been bought outright where suitable lots could be leased at nominal rentals. These leases terminate six months after the cessation of hostilities. In view of the average cost of the installation of local improvements amounting to \$705.00 per lot the Subcommittee recommends that some provision should be made to secure substantial reimbursement to the Government of this expenditure.

Owing to the urgency of the need and owing to the fact that semi-sectional houses must be built in large quantities if they are to be built economically, contracts for the erection of these homes were let to large general contractors in lots of not less than 50 at a time and almost without exception sites were chosen of sufficient size to permit full blocks of houses to be built in one location.

While some instances have come to the attention of the Subcommittee where it would appear that mistakes have been made in connection with this large building program, yet in the light of all of the circumstances and particularly in view of the time element which was constantly demanding immediate results, the Subcommittee finds that this corporation has performed a difficult task with surprising expedition.

Criticism has occurred owing to the fact that total costs, grouping both cost of houses and cost of local improvements, have from time to time been publicized and proper care has not been taken when dealing with these figures to indicate that an average of \$705 per housing unit is included for cost of local improvements. Local improvements which include water mains, sewer mains, street grading, etc., in ordinary practice are collected either in general taxation from the whole assessable value of the municipality or by way of long term taxation in local improvement rates and are not quoted as part of the cost of the house.

The Subcommittee has carefully studied the present housing shortage and finds that it has arisen from two distinct sources. As a result if the problem is to be properly treated two different remedies should be applied. Wartime Housing, Limited, is not to be criticized for its failure to give expression to this fact because by its incorporation Wartime Housing was restricted to the supply of housing units for workers on munitions and supplies and defence projects, and was, consequently, not concerned with Canada's general housing problem.

The Subcommittee finds that the following are the two main causes of the present housing shortage in Canada:—

- (a) The mass movement of labour from its normal residence to localities surrounding the districts where war industries are concentrated;
- (b) The substantial housing shortage which existed at the outbreak of war has been greatly accentuated through increase in the national income. Since September, 1939, the national income has increased about \$1,800,000,000. At the time war was declared many families in Canada were doubled up and many still on relief. The increased national income has taken most families off relief and has enabled many thousands of families to move from their then existing congested living conditions into single family dwellings.

Insofar as the present housing shortage may be temporary in its character as indicated above in subparagraph (a) the Subcommittee recommends that the need should be met by the construction of temporary homes under Wartime Housing, Limited, and further recommends that such additional powers should be given to this Company to enable it to meet the temporary problem in its entirety.

Insofar as the present housing shortage is permanent in its character as indicated in subparagraph (b), and the Subcommittee finds that more than half of our present housing shortage is of this character, this permanent problem should be solved by the erection of permanent homes under the National Housing Act.

The Subcommittee as a result of its inquiry finds that there is no apparent shortage of the masonry materials, such as brick, stone and concrete, which are peculiar to the erection of permanent homes as opposed to temporary homes. The present existing shortage of materials is confined principally to steel, iron, copper and lumber.

As a result of its investigations to date the Subcommittee makes the following recommendations:—

- (1) That a nation-wide campaign be organized, supported by local committees, composed of volunteer workers, to make any existing surplus living accommodation in occupied homes available to families which are homeless;
- (2) That a plan of loans for financing the conversion of old single family homes into two and three family apartments on a basis similar to the Home Improvement Plan should be inaugurated. Money made available by this plan should provide for instalment repayments spread over a period of at least five years. Assistance to individual home owners should be provided in this regard.
- (3) That a survey should be made to determine the number of permanent homes which can be built without endangering a post war surplus in the different urban centres where a serious housing shortage exists and to this extent that the present housing shortage should be met by the construction of permanent homes, under the National Housing Act, where it can be demonstrated that by the use of building materials which are non-essential for war purposes, or by the use of building lots already serviced by local improvements, an actual saving in labour and essential war materials can be effected through the construction of permanent homes rather than those built by Wartime Housing.
- (4) That a careful study be made by Wartime Housing officials as to the wisdom of erecting temporary houses of either standard or ready-cut construction rather than semi-prefabricated construction now in use so that the unit cost of houses to be built by Wartime Housing, Limited may be substantially reduced:—
 - (a) by the use of scattered vacant lots already serviced by local improvements.
 - (b) by the awarding of building contracts in groups of substantially less than 50 houses in order to enlist the services of small home building contractors.
- (5) That in all localities such as Nobel, where when the war is over, there is no possibility of use being made of the homes now being built to house war workers the present house plans should be modified to reduce their cost to the lowest possible point commensurate with proper living accommodation. It must be borne in mind that in these localities the houses now being built will have practically no salvage value.
- (6) That dependents of soldiers serving overseas; civil servants, both married and single; and Canadian workmen who are indirectly servicing war workers urgently require low cost housing accommodation and this accommodation should be provided.
- (7) That wherever title to land held by Wartime Housing, Limited permits, or can be acquired, sales of homes built by Wartime Housing, Limited should be made now to occupants desiring to buy them.

The Subcommittee has been unable with the time at its disposal to complete a thorough study of Staff Houses. These buildings are large temporary hotels for workmen. In some localities the operation of these Staff Houses has been very satisfactory while in other places results have been disappointing. The Subcommittee recommends that Staff Houses should be further studied and dealt with when final report is made on the operations of Wartime Housing, Limited.

This report is an interim report on the operations of Wartime Housing, Limited and further inquiries should be continued and a final report made. All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

FIFTH REPORT

SATURDAY, July 18, 1942.

The Special Committee on War Expenditures begs leave to present the following as its

FIFTH REPORT

Your Committee being of the opinion that the enquiry entrusted to it should be continued notwithstanding the impending adjournment of the House recommends:—

1. That the Committee continue its enquiry notwithstanding such adjournment.
2. That six members of the Committee constitute a quorum during the said adjournment notwithstanding an Order of the House of May 5, 1942, fixing the quorum at eight members.
3. That any subcommittee appointed by the Committee have power to sit notwithstanding any adjournment of the House and to adjourn from place to place.
4. That the Committee be empowered during the said adjournment to employ such secretarial, clerical and other assistance as it may deem necessary.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

SIXTH REPORT

SATURDAY, July 18, 1942.

The Special Committee on War Expenditures has received from its Subcommittee No. 2 the following report on "Salvage" which it has considered and adopted as its Sixth Report to the House:—

FIRST REPORT OF SUBCOMMITTEE No. 2

Subcommittee No. 2 of the Special Committee on War Expenditures begs leave to present the following as its report on

SALVAGE

A. Scope.

The Committee was at all times impressed by the importance of this enquiry and this appreciation has grown as the Committee has noted the progressive development which has taken and is taking place in the field.

The Committee found not a static field of enquiry but one in a state of flux and as the Committee explored new avenues the horizon limiting the enquiry receded and the field broadened to embrace both the war economy and the national economy.

The conclusions reached are such as seemed to the Committee to flow naturally at this time from the evidence presented.

B. Salvage Agencies Studied in Enquiry.

The Committee in the course of its study enquired into the operations of the following salvage agencies:—

1. Salvage Officer of Comptroller of Treasury.
2. Army Salvage and Disposal Board under Master-General of Ordnance.
3. Army Supply and Transport Directorate under Quartermaster General.
4. Air Member for Supply, R.C.A.F.
5. Director of Naval Stores.
6. Scrap Disposal Branch of Munitions and Supply.
7. Steel Controller, of Department of Munitions and Supply.
8. Wartime Salvage Limited.
9. Wartime Prices and Trade Board and Administrators.
10. Fairmont Company Limited.
11. Salvage Division of Department of National War Services.
12. Scrap Dealers.

C. Brief Outlines of operations of various Salvage agencies studied.

A brief outline of the operations of each of the above salvage agencies, together with some comments and observations, is given as follows:

1. Salvage Office of Comptroller of Treasury.

This Salvage Office was established in 1921 under the Government Contracts Committee. After that Committee was disbanded the Salvage Office still continued to function and was directly responsible to the Minister of Finance. In October, 1936, the office was placed under the Comptroller of the Treasury.

As pointed out in last year's report by this Committee, lists of salvageable goods were furnished to the Chief Salvage Officer, whose duty it then was:

- (a) to see if any other department of Government could make use of the material, and
- (b) in the event that this could not be done, to dispose of same by sale.

"The Chief Salvage Officer performed this task not only for the military branches of the government but for all civilian departments as well, and his list of salvage items embraced everything from buildings, vessels, scrap steel and automobiles to clothing, boots and shoes, etc."

This office has, and will continue to have, an important role to play and its work has increased considerably since the outbreak of the war and for the fiscal year 1941-1942 the transfers and sales amounted to \$1,024,990.95 divided as follows:

Sales	\$814,976 78
Transfers	210,014 17

The total for the fiscal year 1939-1940 was \$262,500.87 and for the year 1940-1941 was \$547,273.35.

The staff of the office consists of four men and seven girls.

The army in June, 1941, set up an Army Salvage and Disposal Board which makes its own sales. However, this Board before arranging a sale inquires of this Salvage Officer whether the article can be made use of by any other Department of Government.

The Air Force and Navy still make their sales of salvage through this Salvage Officer.

2. Army Salvage and Disposal Board.

The Committee in its report of last year referred to the setting up of this Board by Order in Council, P.C. No. 4649 of June 25, 1941.

It was recognized by the Department of National Defence that it had certain Army Stores which were or might become obsolete and other stores which had been or would be converted to Produce.

The object in setting up the Army Salvage and Disposal Board was to convert where possible such stores and equipment into articles capable of being used by the Naval, Military and Air Forces and to dispose of the balance by prompt and appropriate measures.

It was felt that it was desirable for this purpose and in the public interest to adopt some special procedure for disposal rather than deal through the Salvage Officer of the Comptroller of the Treasury.

An Obsolete Stores Committee was set up to investigate stores reported to be obsolete or which the Committee considered might on investigation prove to be obsolete, to inspect and examine any stores and report obsolete stores and recommend their disposal.

All such stores are then dealt with by the Army Salvage and Disposal Board.

The Board first seeks to convert such obsolete stores and stores which have been converted to Produce into other articles of stores and equipment capable of being used for Naval, Military or Air Force purposes.

The residue and by-products remaining after conversion, and all stores and equipment not capable of being converted, are sold but only after the Salvage Officer of the Comptroller of the Treasury has advised that such goods are not required and can not be utilized by any other Department or Agency of the Government or by any charitable or welfare organization.

In addition to the transfers to other Government Departments carried out by the Salvage Officer, arrangements are in effect whereby the District Stores Officers of the Navy and Air Force are given an opportunity to examine Disposal Stores and secure transfers where desired.

The Committee heard evidence as to the Salvage Operations carried on by the Board, repairing of clothing and boots, conversions made and steps taken to prevent waste.

An interesting story was told of conversions being made and the Committee was impressed by the inventiveness shown in converting obsolete stores and material into useful and necessary articles.

The Committee was pleased by evidence to the effect that there was an obviously growing interest in Salvage shown by men of all ranks.

3. Army Supply and Transport Director

The chief inspector of catering and messing, working under the Director of Supplies and Transport, under the Quartermaster-General, is charged, with other duties, with the responsibility of the inspection of kitchens to guard against waste and to encourage salvage of grease, fats, bones, containers, etc. District and unit catering and messing officers are charged with the same responsibility.

Disposal is with the approval of the Chief Salvage Officer of the Comptroller of the Treasury.

There are three main items of salvage: bones, suet, rough fat and kitchen grease; swill; food containers.

Evidence was given that, due to educational work carried on and the training of cooks, much fuller use is being made of fats. It was stated that the men are now getting about 91 per cent of the full value of their meat and fat ration, through the use of these fats in making sausages and bolognas and chopped meat dishes and the making of pies, cakes, etc. This has also resulted in a marked saving in the purchases of lard and shortenings.

Soap is being made, in some camps, from remaining fats, unedible greases and oils, and a considerable saving effected in this way.

The Committee was pleased to note that there appears to be a progressive improvement in the disposal of swill. There has been on the part of some farmers a prejudice against feeding swill to hogs and on the part of others an indifference to the possibilities of this feed. This has been in part overcome through the co-operation of the Department of Agriculture and other educational work carried on. In some camps central swill houses have been set up to do the cooking of the swill.

The Committee feels that more can still be done towards securing profitable disposal of swill and that efforts should be made to secure a better price for this produce.

4. *Air Member for Supply, R.C.A.F.*

Salvage operations within the Royal Canadian Air Force are under the Air Member for Supply.

Disposal is through the Chief Salvage Officer of the Comptroller of the Treasury and the Committee was informed that this service has been found to operate quite satisfactorily.

Small quantities of domestic salvage such as paper, cartons, etc., are handed over to the local voluntary salvage organization in the localities where the salvage arises.

Aeronautical engineering officers and equipment officers are responsible for conditioning of equipment. There is provision for periodic returns of equipment appearing surplus to requirements. Quarterly surveys of stocks are made by a Travelling Surplus Board in each command.

Evidence was given the Committee of the emphasis being placed on the importance and necessity for salvage and conservation of materials and particulars were furnished of a number of salvage and conservation operations.

Repair organizations are being set up at the central equipment depots for the conditioning and repair of part-worn uniforms, clothing and boots.

All crashed aircraft are forwarded to repair depots to be salvaged for use either in the service or by issue to manufacturers.

Special efforts are made through trained personnel to secure the maximum results from kitchen salvage.

Contracts for swill are arranged with the assistance of the Department of Agriculture. At one point in Newfoundland, where it was not possible to secure a contract, the service is going into the hog-raising business itself.

5. *Director of Naval Stores.*

The Naval Stores Branch in both the British and Canadian Navy is, and always has been, civilian. This branch supplies the stores, goes aboard and checks all store accounts and receives stores worn out or of no further use to the service and returned to the dockyard. The Naval Service has always had standing instructions regarding return of unserviceable stores to the dockyard.

The Dockyards are the storing bases for the ships and establishments. The stores for each ship are classed (1) Permanent and (2) Consumable. The main source of salvage material is returned permanent stores. These are surveyed in the Dockyard by qualified inspectors who determine whether (a) serviceable

(b) repairable (c) convertible or (d) to be reduced to produce, i.e., scrap. The stores are then dealt with accordingly.

The Naval Service pays a kit upkeep allowance rather than issue new for worn clothing; boots, etc., and therefore have not the same problem as the other services in this connection.

There is monthly stock-taking of stores and after six months slow moving stock is surveyed to determine (a) serviceable (b) obsolete (c) convertible or (d) unserviceable due to age or deterioration.

There is a civilian salvage officer in each Dockyard who arranges for repair, conversion or disposal. He is assisted by a Naval Technical Officer and lately a committee has been set up representing all branches at each Dockyard to coordinate the campaign for salvage.

Before reporting any material for disposal, the list is referred to all using branches in the Dockyard, to other Dockyards or outposts or branches to ascertain if it can be used.

Disposal is through the Chief Salvage Officer of the Comptroller of the Treasury.

The Committee was advised that the staff of the Director was being strengthened by the addition of qualified business executives for the purpose of planning and organizing in more detail the stock control systems including future developments of Naval Salvage work.

6. *Scrap Disposal Branch of Munitions and Supply.*

Order in Council P.C. 45/9130 dated November 22nd, 1941, gives the Minister of Munitions and Supply exclusive power and authority to deal with, exchange or otherwise dispose of all scrap and articles surplus to current requirements derived from contracts entered into by or being carried out under the direction and control of the said Minister and relieves the Salvage division of the Comptroller of the Treasury from all responsibility in connection therewith.

The Scrap Disposal Branch was set up and deals with scrap under the following classifications:—

1. Ferrous and non-ferrous metals.
2. Surplus or obsolete equipment, machinery and construction plant and materials.
3. Surplus waste materials.

The first two groups are reported to and only disposed of by the Scrap Disposal Branch and the third group is disposed of by Contractors, Government-owned Companies and Management Fee Companies and disposal reported to the Branch.

The Staff of the Branch consists of the Director General, a chief clerk and two stenographers.

All items previously reported to the Salvage Officer of the Comptroller of the Treasury are now required to be reported to this Scrap Disposal Branch.

The Committee was not satisfied that all available scrap was being promptly and systematically reported and suggests that there should be more specific instructions as to the reports required to be made to the Branch, of available scrap.

The operations of the Branch to date have been largely in connection with the salvaging of scrap metals from government owned, management fee or capital expenditure projects.

When possible the scrap metal is contracted direct from the plant to the consumer at the base prices fixed by the Metals Controller or Steel Controller. In some cases it is necessary to arrange for breaking down of the scrap and crushing machines are being installed in some plants.

There is disposal by invitation to tender where this is necessary. Evidence was given the Committee that the majority of consumers preferred to buy

through the scrap dealers for the reasons that there is no individual source of supply sufficient for the requirements of the consumer and the scrap dealers have the facilities for gathering, sorting and preparing the scrap.

7. Steel Controller, of the Department of Munitions and Supply.

The Committee was interested, for its purposes, in the operations of the Steel Controller in so far as these operations related to the salvaging of scrap metal.

"Steel" as defined in Order in Council No. P.C. 2742, dated June 24, 1940, authorizing regulations respecting steel and appointing a Steel Controller, includes Scrap Metal.

The Committee had before it the Supervisor of Steel Scrap Control under the Steel Controller.

The Steel Controller has, among other powers, those of taking possession of scrap metal wherever found, of fixing maximum prices or maximum mark-ups at which it may be sold or offered for sale, and of fixing or limiting or directing the sale or distribution of it.

The Committee was advised that there is a very urgent need for scrap metal and that almost every possible ton must be secured in the next 12 or 14 months if Canada is to maintain her war production.

It recently became necessary, because of the fact that much available and needed scrap metal was not coming to market for various economic and geographic reasons, for the Steel Controller to extend his activities to the actual procurement of such scrap metal. This was done through the Agency of Wartime Salvage Limited.

The present responsibility of the Steel Controller is two-fold; to promote through Wartime Salvage Limited the movement of scrap metal from the source to the dealers, and then to move the scrap from the dealers to the consumers.

The Steel Controller has been able to make arrangements for the salvaging of street car rails in some municipalities, with the steel companies absorbing the difference between the cost of salvaging these and the set price.

8. Wartime Salvage Limited.

Wartime Salvage Limited is a Crown company set up under the Wartime Prices and Trade Board.

The Wartime Prices and Trade Board is interested in supplies, and waste paper having become a supply problem Wartime Salvage Limited was primarily set up to allocate the supply of waste paper and create an orderly market.

The Company has general power:—

To purchase or otherwise acquire, import, export, exchange, hire, market, change, sell or otherwise dispose of, grade, press, allocate, distribute, store, transport, process and generally deal in waste or used matter and goods, wares and merchandise of all kinds.

The Company is financed by an appropriation under the War Appropriations Act of five million dollars, to be drawn as an accountable advance in amounts as required.

When the Steel Controller was faced with the necessity of financing the purchase of scrap metal at the source he made use of this company rather than set up a separate purchasing agency.

The activities of the company have been confined, to date, to waste paper and collapsible metal tubes and, recently, scrap metal.

Existing trade channels were used by the Company in the acquisition of waste paper. The enthusiastic response to the campaign for waste paper was greater than anticipated and this, together with the shutting off of the Western United States market, has created a surplus of collected waste paper particularly in Western Canada.

Under the Order respecting the salvaging of collapsible metal tubes, all such tubes shall, upon leaving the possession of the user thereof, be deemed to be the sole property of Wartime Salvage Limited and no person shall destroy or throw away any such tube or dispose of it in any manner other than to deliver it to a retail drug store, cigar store, general store or department store, or in such other manner as directed by the Administrator of Used Goods. The tubes are forwarded direct to the smelter and payment made to Wartime Salvage Limited.

The provinces of Western Canada and the mining fields of Northern Ontario and British Columbia contain the bulk of available scrap metal. Prohibitive transportation costs prevented this scrap reaching the market through the regular trade channels.

Wartime Salvage Limited has entered into an agreement with the Western grain elevators who will purchase scrap metal from the farmers in the three prairie provinces at the rate of seven dollars per ton. The elevators will weigh it and load it and will be paid \$8.50 per ton by Wartime Salvage Limited. The difference of \$1.50 is to cover the costs of handling, loading and financing and if there is any profit in this it will be turned over by the elevators to some war charity. The scrap is shipped to central points, is inspected and then passes to the dealers, who are allowed \$3.00 per ton for their services.

Other arrangements are being made for the salvaging of scrap metal from abandoned mines and remote areas.

The steel companies are contributing by absorbing a great deal of the freight from Western Canada.

9. *Wartime Prices and Trade Board—Administrators*

The Wartime Prices and Trade Board also come into the salvage picture through the fixing of prices on articles of salvage.

There are also a number of administrators of the Board whose activities relate to salvage as:

Used Goods Administrator
Waste Paper Administrator
Oils and Fats Administrator
Wool Administrator

These Administrators are Directors of, or work in co-operation with, Wartime Salvage Limited.

In addition they work in their specific spheres in encouraging and regulating the salvage and flow of particular articles.

The Used Goods Administrator, for instance, has under him the administrators of junk shops and junk pedlars and looks after used goods generally, including second-hand bags, bottles, steel, machinery, roofing rags, wiping rags, silk rags, etc.

10. *Fairmont Company Limited*

Fairmont Company Limited is a Crown company incorporated by the Department of Munitions and Supply with the primary object of being the exclusive agency in the purchase of crude rubber.

The company recently was given the task of acquiring scrap rubber.

Scrap rubber is used to make reclaim. Until the crude rubber shortage developed Canada secured its requirements of reclaimed rubber from two Canadian plants and from United States reclaimers. Our Canadian capacity was 7,500,000 pounds and has been increased since January 1, 1942, to 20,000,000 pounds. We imported from the United States reclaims for the following amounts:

1939	14,918,000 pounds
1940	16,063,000 pounds
1941	18,457,000 pounds

The scrap used to make reclaim was collected from (a) rubber manufacturing plants who accumulated scrap in their process of manufacturing rubber products and (b) by the collection of scrap from areas where the freight made such collection economical.

Our imports from and exports to the United States of Scrap Rubber are as follows:

	Imports	Exports
1939	6,068,000 lbs.	12,285,000 lbs.
1940	6,283,000 lbs.	13,060,000 lbs.
1941	6,928,000 lbs.	17,584,000 lbs.

Scrap rubber produces reclaim only to approximately 70 per cent.

Owing to war necessities, the requirements of reclaim became greatly increased, being estimated for 1942 at 36,000,000 pounds, as against 26,000,000 pounds in 1941.

To secure this 36,000,000 pounds of reclaim there will be required 51,000,000 pounds or 25,500 tons, of scrap rubber. As Canada had never in its history collected more than 24,000,000 pounds, or 12,000 tons, of scrap rubber in any year the urgency of the problem is apparent.

On March 15th, 1942, a Scrap Rubber Division was set up by the Department of Munitions and Supply to operate in co-operation with the National Salvage campaign in organizing the campaign and Fairmont Company Limited was asked to handle the shipping, storage, distribution and financing of the collection of the scrap rubber.

Scrap dealers, outside of Ontario and Quebec, were not dealing in scrap rubber as the freight rates were so high as to make collecting an uneconomic business. It is to these remote areas that the campaign has been directed.

Fairmont Company Limited pays uniform prices F.O.B. carload shipping points anywhere in Canada and absorbs that portion of the freight that could not be collected from the reclaimers.

Voluntary Salvage Organizations are doing the collecting and when a carload is gathered it is billed to Fairmont Company Limited. Some collecting is also being done by or through Scrap dealers.

The results to date indicate the collection of 25,000,000 pounds of scrap rubber of which 20,000,000 pounds have been collected since the campaign started on the 1st of May, 1942, and that Canada is safe in her scrap rubber supplies for at least a year.

It is estimated that the cost of the campaign to the Government will probably be \$100,000. In addition \$40,000 was spent by the Salvage Division of National War Services in the advertising campaign.

On July 1, 1942, the Scrap Rubber Division was discontinued and the promotional work taken over by Fairmont Company Limited, and the company has engaged and is now schooling a missionary staff of seven men who will establish personal contact with communities to promote the collection of scrap rubber by local salvage corps and by other means and particularly to facilitate the movement of rubber scrap accumulations.

The Committee enquired as to why the tires from all pleasure cars were not being taken at this time. The answer was that the bulk of the rubber in a tire for reclaiming is not in the tread but in the carcass and side walls on which there is little wear. After the tread is worn off 80 per cent as much reclaimed rubber is secured as would be secured if the tire was taken when new. As most tires when thrown aside are only partly worn the average loss is about 10 per cent. If these tires were taken now there is no place in Canada where such a quantity could be stored under protection from sun and rain and wind and dryness and so on and the loss from the ravages of time in reclaim value would be as much as the loss in reclaim value would be by running them. It was therefore thought advisable to leave these tires on the cars as a reserve source.

11. *Salvage Division of Department of National War Services.*

This Division is in the course of reorganization. The present staff numbers twenty-four. This will be increased to thirty-five, made up as follows:—

Director
Associate Director
Industrial Organizers, 2
Assistant to Director
Administrative Secretary
General Office Staff, Ottawa, 9
Provincial Organization, 20.

The Committee was advised that it was not intended at this time to launch any further national advertising campaigns (unless some emergency should arise requiring a special drive for some particular commodity). The Division has handled the advertising for Wartime Salvage Limited and Fairmont Company Limited.

This Division has charge of the voluntary salvage campaigns. Fifteen hundred Salvage Committees are registered with the Division of which only 40 per cent have actually reported quantities of material collected and moneys derived therefrom.

In accordance with the provisions of the War Charities Act the net financial returns are applied by the voluntary committees towards war charities.

Some use is now being made of municipal agencies in collecting scrap, and this is being developed.

This Division has, from the very nature of its activities, a very difficult task. It is dealing with some fifteen hundred voluntary salvage committees many of which are loosely organized. The work is largely voluntary and this in itself creates problems. The members of these voluntary committees are often inexperienced at such work and this causes difficulties.

On the other hand these voluntary salvage committees afford an outlet for the energies of many patriotic people who feel that they are, as indeed they are, in this way making a contribution to the country's war effort. Some of the voluntary salvage organizations have attained very marked efficiency and many others are with experience gaining greater efficiency. More important still, these voluntary salvage organizations fill a gap in the salvage set-up and their enthusiastic efforts have made the public more salvage conscious and do contribute to worthwhile contribution to the war effort and to the national economy.

12. *Scrap Dealers*

Scrap Dealers are of three classes:—

The pedlar.

The "B" dealer who has some facilities for sorting and preparing.

The "A" dealer who has adequate facilities for all kinds of sorting and preparing.

The Committee recognizes that there is in many quarters a strong prejudice against scrap dealers and a belief that in war salvage activities these dealers seek to take advantage of the patriotism of the public in order to make exorbitant profits for themselves. Those holding such views advocate the setting up of some organizations to take all scrap and dispose of it direct for the benefit of the war effort without making use of any middleman.

The evidence taken by the Committee tended to show that it would not for the most part be practical or in the interest of the war effort to dispense with the services of the scrap dealers who have the plants, equipment, personnel and experience to do their jobs efficiently. The prices of essential war scrap, and the profits which the dealers can make, are controlled. The Committee approves of this and is of the opinion that this control should be constant and continuous.

D. General Conclusions

The following are the natural conclusions which appear to the Committee to flow from its enquiry and the evidence presented to it:—

I. The Committee was greatly impressed by the inherent possibility in proper salvage and by the importance of the salvage operations being carried on and the beneficial results both to the war effort and to the national economy. The war effort is aided directly by the repair and further use of used articles, by the conversions being made, by the savings thus effected of materials and labour which would otherwise be used in the making of new goods, by the returns from produce sold, by the acquisition of vital war supplies from salvage. There is national gain in the recognition of the value in this discarded wealth, in the lessons taught of thrift and carefulness, and in the appreciation of the wasteful weaknesses shown to exist in our national economy.

II. The Committee feels that the solution for such unnecessary duplication or over-lapping as may exist or may develop lies in that co-operation which arises from mutual interest in a common cause and the desire to serve the larger interests of the state. The evidence showed that there does exist a considerable measure of co-operation between the agencies and a considerable measure of co-ordination of activities and that this co-operation and co-ordination is developing naturally and progressively. More can be done in this direction. There are in the salvage agencies men of broad outlook, clear vision, keen minds and wide experience and the Committee feels that these men themselves are best fitted to work out that measure and means of co-operation and co-ordination which would be most advantageous to the salvage agencies and the state. The Committee recommends that some arrangement be worked out for conferences between the salvage agencies, and between those agencies interested in particular problems, for the purpose of exchanging ideas, discussing mutual difficulties, passing on information, studying new approaches to methods of salvage, examining instances of duplication, exploring possible new or overlooked sources of salvage, and generally for the purpose of securing the maximum of co-operation and of co-ordination of activities.

III. The evidence taken by the Committee showed that the unused accumulation of scrap metal, scrap rubber and waste paper was in Western Canada. The same would appear to be true of bones, rags and many other articles of salvage. Prohibitive transportation costs have prevented this salvage from moving to the Eastern market, the only market available. The Government, and industry, is now compelled by the necessities of war to subsidize the movement of this scrap metal, scrap rubber and waste paper. The situation speaks for itself: there exists here an unhealthy economic condition. It is clearly wasteful and not in the national interests that this salvage should in normal times and under normal conditions be without a market. The Committee therefore recommends that careful study be given to this situation and to the possible establishment in Western Canada of industries which could absorb this salvage.

IV. The Committee recognizes that its inquiry is by no means completed. It has not even been able to complete its study of some of the avenues opened up. It feels that indeed there can be no finality to an inquiry into such a subject as wartime salvage; the changing nature and new developments in the matter do not allow of any last word being said. Salvage operations are of great importance now; they will be of even greater importance as the war goes on and in the period after the war. The Committee is strongly of the opinion that the subject is well worthy of further and continuous study.

V. The Committee recommends that particular and continuous study should be given to the problem which the country will face in post-war salvage. An immense task will confront the country in the use or sale and disposal of military equipment and supplies and of plants and equipment from war plants. It is obvious that great loss will occur if this salvaging is not efficiently handled

and that a great gain to the country will result if the most profitable use and disposal is made of this material. The Committee recognizes that it is probably not possible at this time to chart and blueprint the complete solution of the problem but it feels that there is need of present study being given it before the problem becomes too immediate and acute. The problem will be of a different nature from that of wartime salvage but in some respects the one will run into the other. It is possible that there is now being trained in the war salvage agencies and in the armed services and war industries the personnel which can best handle the problem of post-war salvage. It is possible also that the post-war situation may lend itself more readily and advantageously to co-ordination and a long range policy.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

SEVENTH REPORT

MONDAY, July 20, 1942.

The Special Committee on War Expenditures has received from its Subcommittee No. 2 the following report on "Catering and Messing" which it has considered and adopted as its Seventh Report to the House:—

SECOND REPORT OF SUBCOMMITTEE NO. 2

Subcommittee No. 2 of the Special Committee on War Expenditures begs leave to present the following as its report on

CATERING AND MESSING

The committee reviewed the progress made in this matter since its last report.

Ration List

The committee in reporting last session recommended that the ration list governing the issue of food to the Air Force be reconsidered in the light of the relative sedentary duties performed by the flying personnel of the Royal Canadian Air Force.

This recommendation was carefully considered by a committee of competent individuals and as a result a standard ration has been recommended for the use of both the army and air force. The committee was informed that the effect of this new ration would be a reduction of the authorized issue of potatoes, bread, beef and the alternatives of pork, and mutton, sugar, cheese and cereals. In compensation ham has been added as an alternative to beef; Canadian grown green vegetables when available as an alternative to the present issue of fresh vegetables; the issue of canned tomatoes as a standard ration item rather than as an alternative for fresh vegetables; an increase in the milk ration; the addition of oranges once per week and grapefruit juice three times per week; the addition of vinegar and salad oil (to be used with the green vegetables); and the adoption of Canada Approved white bread.

Army Cookery Schools

Cookery schools are being increased in number as the demand for trained cooks becomes apparent.

The committee is of the opinion that to a considerable extent the preparation and conservation of food and the salvage of kitchen waste can be improved if the cooks in charge of the service kitchens are well trained in their task.

The committee was pleased to be informed that men properly trained as cooks in the cookery schools have been given promotion to commissioned rank as officers in charge of catering and messing at different centres and believes that as a result encouragement will be given to others to become properly trained in catering and messing.

Canteens

The committee inquired into the matter of the operation of canteens. The evidence submitted would indicate, and your committee is of the opinion, that the canteen system would be improved if all purchases were made by a district or area central organization thus eliminating the intrusion in the camp of salesmen and other individuals with commercial interests.

Consumption of Alcoholic Beverages

The committee was furnished with evidence indicating the very great importance to the National Treasury of the physical condition of the men and women in our armed services. It was pointed out that in the last war many pensionable cases later arose as a result of improper dietary habits formed while in training in Canada.

For the above reason and because of the great public interest in the matter the committee inquired into the question of the consumption of alcoholic beverages by the members of our armed forces.

The committee desires to preface its comments by expressing its condemnation of exaggerated, unjustified and unfair statements made by some in regard to this matter. It is definitely of the opinion that any intemperance is confined to a very few and that on the whole the conduct of our Military Forces, in this regard as in others, is a credit to Canada.

The committee is of the opinion that the first principle to be recognized is that the military camp should be so equipped and conducted that all reasonable requirements can be satisfied within the camp lines. It is apparent that the alternative would be to encourage the members of our armed forces to seek those things denied to them in the camp in other less suitable places not under military discipline and control. The committee is of the opinion that the prohibition of alcoholic beverages to the men of our armed services is impractical and inadvisable.

The committee is further of the opinion that the key-note to a proper solution of any problem in this connection is to be found in the words, "temperance" and "education".

Certain suggestions made to the committee appear to have merit. These were:—

- (1) That the excessive consumption of beer or soft drinks immediately prior to meal hours militated against the full enjoyment and resultant value of meals;
- (2) That the regulation in force in some camps, that all canteens be closed for a reasonable period before meal hours, should be given general application;
- (3) That no wet canteen be opened until six o'clock in the evening;
- (4) That any regulations made applicable to the wet canteens of the men should be observed in the messes of the commissioned and non-commissioned officers.

The committee recommends that the above suggestions be given immediate and careful consideration by the proper authorities and if found practical and helpful put into effect.

The committee recommends that a well considered and sustained educational program be instituted in each branch of our armed services.

The selection of those in charge of such a program should be made with the utmost care and be such as would recommend the individuals so selected to the young men and women of the services. Further those selected should be persons who would be instinctively liked and respected by those in our military forces and should possess a wise and sympathetic understanding of human nature.

The co-operation of all ranks in each service should be encouraged as it is through such co-operation that the greatest good could be accomplished.

Such an educational program should emphasize:

- (1) The contribution each soldier can make to the Nation's war effort by the practice of self-discipline;
- (2) Respect for himself and the uniform which he wears;
- (3) The increased mental and physical health resulting from temperance;
- (4) The reward that will accrue to the individual of temperate habits in the postwar period by the greater opportunity of employment and advancement;
- (5) That in the business, professional, athletic, and social world of to-day intemperance imposes a great handicap on the individual;
- (6) The contribution each individual can make by his own example to the welfare of the younger members of our armed forces;
- (7) That commissioned and non-commissioned officers should encourage and practice temperance thus giving the leadership expected of them by reason of their rank.

The committee is of the opinion that all wet canteens should be in charge of men especially chosen for the task. Such men could by wise, friendly and acceptable methods minimize the consumption of alcoholic beverages and do much to encourage an atmosphere where the "proper thing to be done" was to practice temperance.

The committee was pleased to note that in some camps the consumption of milk as a beverage exceeds that of alcoholic beverages. This indicates that many of our young men recognize the value of temperance and suggests the probable value and resultant benefit of a proper educational program.

The committee points out the high average of intelligence of the enlisted men and women and expresses the conviction that they are quite capable of recognizing the value of temperance if the case in favour of this is properly and intelligently presented to them.

All of which is respectfully submitted.

ALPHONSE FOURNIER,

Chairman.

Gov. Doc.
Can
Comm
to

Canada. Gov. Exp. and House. Special
Committee. 1942-43

SESSION 1942-43

HOUSE OF COMMONS

CA1 XC 2

-41 W12

SPECIAL COMMITTEE

ON

WAR EXPENDITURES

MINUTES OF PROCEEDINGS

No. 3

September 3, 4, 1942

October 9, 1942

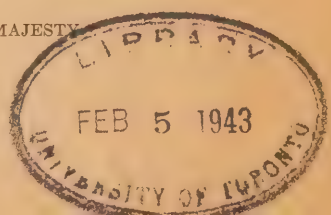
November 13, 1942

January 18, 19, 22, 25, 26, 1943

Including

EIGHTH, NINTH, TENTH, ELEVENTH and
TWELFTH REPORTS TO THE HOUSE

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



ORDERS OF REFERENCE

HOUSE OF COMMONS,

TUESDAY, July 28, 1942.

Ordered,—That the said Committee continue its enquiry notwithstanding the impending adjournment of the House.

Ordered,—That six members of the said Committee constitute a quorum during the said adjournment notwithstanding an Order of the House of May 5, 1942, fixing the quorum at eight members.

Ordered,—That any sub-committee appointed by the said Committee have power to sit notwithstanding any adjournment of the House and to adjourn from place to place.

Ordered,—That the said Committee be empowered during the said adjournment to employ such secretarial, clerical and other assistance as it may deem necessary.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

FRIDAY, July 31, 1942.

Ordered,—That the names of Messrs. Fournier (*Maisonneuve-Rosemont*) and Coldwell be substituted for those of Messrs. Abbott and Douglas (*Weyburn*) on the said Committee.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, September 3rd, 1942.

The Special Committee on War Expenditures met at 2.30 p.m., the Chairman, Mr. Fournier (*Hull*), presiding.

Members present: Messrs. Bercovitch, Boucher, Chevrier, Cleaver, Coldwell, Fournier (*Maisonneuve-Rosemont*), Fournier (*Hull*), Gladstone, Golding, Graham, Harris (*Danforth*), Homuth, Johnston (*Bow River*), McIlraith, and Picard—15.

On motion of Mr. Homuth, seconded by Mr. Picard.

Resolved.—That the following persons be employed by the Committee at the same rates of pay and subject to the same terms and conditions as apply to members of the Stenographic Staff of the House of Commons during Sessions, namely:

Commencing on September 3rd, 1942, and until further notice:

Fernande Angrignon, Agnes E. Anderson, Vera A. Barton, Mary G. Beattie, Mary E. Blakely, Agnes Culross, Stella Garneau, Ann Ernst, Gwen Hudson, Isobel M. Perazzo, Dorothy Wagget, Pauline Déchéne, Violet M. Jackson, Paule Chaussé.

Commencing on September 10th, 1942, and until further notice:

Grace L. Bennett.

Commencing on September 28th, 1942, and until further notice:

Gladys G. Macdonald, Louise Nash.

On motion of Mr. Coldwell, seconded by Mr. Gladstone,

Resolved.—That the following persons be employed as dictaphone operators for the Committee Reporters' Staff at the same rates of pay and subject to the same terms and conditions as during the sessions, namely:

Commencing on September 4th, 1942, and until further notice:

Helen Charleson, Zita Armstrong.

Commencing on September 8th, 1942, and until further notice:

Cécile Sabourin, Olive Wood and May Bingham.

Mr. Cleaver moved that the Chairman with Messrs. McIlraith and Boucher be appointed as a special Sub-committee to interview His Honour the Speaker and the Clerk of the House of Commons, in view of obtaining authority to properly compensate the clerks and reporters of the Committee for their work in connection with the Committee's sittings during the adjournment of the House.

Motion carried.

Mr. Bercovitch, seconded by Mr. Golding, moved that the Agenda Sub-committee appointed on May 5th and May 29th, 1942, with the substitution of the name of Mr. Coldwell for that of Mr. Douglas, be re-appointed, namely:

Messrs. Fournier (*Hull*), Cleaver, Coldwell, Bradette, Chevrier, Graham, Harris, Johnston and Sissons; the said Sub-committee to convene immediately and report to the main Committee at its next sitting.

Mr. Harris having requested that he be replaced on the said Sub-committee by Mr. Homuth or Mr. Boucher, the motion was amended by substituting the name of Mr. Homuth for that of Mr. Harris, and adopted as amended.

On motion of Mr. Golding the Chairman was authorized to interview the Clerk of the House to request that during the Committee's sittings the Post Office hours be extended from 4 o'clock p.m. to 6 o'clock p.m., and that two messengers of the House be kept on duty until 6 o'clock p.m.

The Committee adjourned until 10.30 a.m. to-morrow, Friday, September 4th.

R. ARSENAULT,
Clerk of the Committee.

FRIDAY, September 4, 1942.

The Special Committee on War Expenditures met at 10.30 a.m., the Chairman, Mr. Fournier (*Hull*), presiding.

Members present: Messrs. Bercovitch, Boucher, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Graham, McIlraith and Picard—10.

The Chairman submitted the report of the Agenda Sub-committee as follows:—

FRIDAY, September 4th, 1942.

The Agenda Sub-committee of the Special Committee on War Expenditures recommends:

1. That Mr. Graham be Chairman of Sub-committee No. 2 until the return of Mr. Sissons.

2. That the reference to each Sub-committee be re-allocated as follows:—

To Sub-committee No. 1.

- (a) Wartime Housing
- (b) Aircraft production
- (c) Shipbuilding
- (d) Government-owned Companies.

To Sub-committee No. 2.

- (a) Salvage
- (b) Medical Services and hospitalization
- (c) Food services—catering.

To Sub-committee No. 3.

- (a) Arsenal and small arms ammunition production
- (b) Chemicals and explosives production
- (c) Tank production.

3. That Messrs. Coldwell and Fournier (*Maisonneuve-Rosemont*) be members of Sub-committee No. 3.

All of which is respectfully submitted,

ALPHONSE FOURNIER,
Chairman.

On motion of Mr. Graham the report was adopted.

Mr. Graham moved that the name of Mr. McIlraith be added to the list of members of Sub-committee No. 2.

Motion carried.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

FRIDAY, October 9, 1942.

The Special Committee on War Expenditures met at 11 o'clock a.m., the Chairman, Hon. Mr. Fournier (*Hull*), presiding.

Members present: Messrs. Bercovitch, Bradette, Chevrier, Fournier (*Hull*), Gladstone, Graham, Mayhew, McIlraith, Sissons.

Congratulations were extended to the Chairman on the occasion of his recent appointment as Minister of Public Works.

Mr. Chevrier, Chairman of Sub-committee No. 3, presented the Third Report of the Sub-committee, being its findings and recommendations on the matters referred to it by the Main Committee on September 4th, viz:—

- (a) Tank production.
- (b) Small arms ammunition production.
- (c) Chemicals and Explosives production.

The report having been considered and amended, Mr. Graham moved:

That the report, as amended, be adopted, subject to any deletions which might be considered advisable by the proper National Defence officials, in the interest of national security.

Motion carried, and the Chairman of Sub-committee No. 3 was authorized to submit the report to the proper officials of the Department of National Defence.

On motion of Mr. Bercovitch,

Resolved,—That the account of \$27.90 submitted by W. E. Elliott, C.S.R., for reporting proceedings of the Committee, be approved for payment.

By unanimous decision of the Committee, the Clerk was instructed to notify the following members of the Committee's stenographic staff, that their services would not be further required after Friday, October 16, 1942, viz:—

Mrs. M. G. Beattie,
Miss Fernande Angrignon.

On motion of Mr. Chevrier,

Resolved,—That Mr. Coldwell and Mr. Bradette be transferred from Sub-committee No. 3 to Sub-committee No. 2; and Mr. Fournier (*Maisonneuve-Rosemont*) from Sub-committee No. 3 to Sub-committee No. 1.

The Committee adjourned to the call of the chair.

R. ARSENAULT,
Clerk of the Committee.

FRIDAY, 13th November, 1942.

The Special Committee on War Expenditures met at 11 o'clock a.m. Hon. Mr. Fournier (*Hull*), the Chairman, presided.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Cleaver, Coldwell, Fournier (*Hull*), Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), McIlraith, Pottier, Reid, Sissons, Winkler.

On motion of Mr. Reid,—

Ordered,—That the account of \$32.40 submitted by Mr. W. E. Elliott of Ottawa for reporting proceedings of Sub-committee No. 2 on November 5 be paid.

On motion of Mr. Sissons,—

Ordered,—That the account of \$19.29 submitted by Mr. Ashkenazy of Montreal for attending Sub-committee No. 2 as a witness on November 2 be paid.

Mr. Reid and several other members expressed the opinion that, prior to presentation of committee reports in the House, all members of the committee should be supplied with copies thereof. It was decided that all untabled reports would be reviewed when the Committee re-assembles in January, 1943.

On motion of Mr. Graham,—

Resolved,—That when the Committee adjourns today it stand adjourned until Monday, January 18, 1943.

A letter having been received stating that Mr. Bercovitch could not attend this day's meeting on account of ill health, it was, on motion of Mr. Reid,—

Ordered,—That the Clerk convey an expression of regret to Mr. Bercovitch respecting his indisposition and the Committee's hope that his health will be speedily restored.

Upon the suggestion of Mr. Coldwell, it was agreed that the services of some of the stenographic staff should be retained at this time for a few days and that those members who require such assistance should immediately notify the Clerk of the Committee indicating the names of those required.

The Committee decided that the following members of the stenographic staff should be asked to report for duty on Monday, 18th January, 1943:—V. M. Jackson, A. E. Anderson, V. A. Barton, G. L. Bennett, M. E. Blakely, P. Dechene, A. Ernst, S. Garneau, G. Hudson, L. Nash, I. Perazzo.

The possibility of income tax deductions being made from the \$15 daily allowance granted to members was mentioned, and the following were named to make enquiries in regard thereto, viz. Messrs. Cleaver, Graham, Reid, Boucher, Johnston and Pottier.

The Clerk was instructed to notify the Clerk of the House that post office and messenger service after 4 p.m. would not be required in the interval between today and the 18th day of January, 1943.

Mr. Cleaver enquired if additional payment could be secured for the Committee Clerk and Shorthand Reporters for services rendered during the summer recess. The Chairman replied that such payment would not be authorized by the Commissioners of Internal Economy of the House.

The Committee adjourned until Monday, 18th January, 1943, at 11 o'clock a.m.

JOHN T. DUN,
Acting Clerk of the Committee.

MONDAY, 18th January, 1943.

The Special Committee on War Expenditures met at 11.00 o'clock a.m.

Members present: Messrs. Boucher, Cleaver, Coldwell, Gladstone, Golding, Graham, Homuth, Macdonald (*Halifax*), McIlraith, Sissons.

In the absence of Hon. Mr. Fournier, Chairman, and on motion of Mr. Coldwell,—

Resolved,—That Mr. Cleaver be Chairman.

Mr. Cleaver took the Chair.

On motion of Mr. Graham,—

Resolved,—That the Committee ratify the employment from December 30 for seven days of Miss Jackson to assist in the preparation of a draft report from Sub-committee No. 2, and authorize payment to her of \$35.

On motion of Mr. Golding,—

Resolved,—That, commencing today, Mrs. Anna Wolff be employed as Stenographer to replace Mrs. I. Perazzo.

On motion of Mr. Sissons,—

Resolved,—That, commencing today, Miss D. Wagget be employed as Stenographer.

On motion of Mr. Macdonald (*Halifax*),—

Resolved,—That, commencing today, Miss P. Chausse be employed as Stenographer.

Mr. Graham suggested that the Committee consider the advisability of curtailing stenographic appointments.

The Committee adjourned to meet at the call of the Chair.

JOHN T. DUN,

Acting Clerk of the Committee.

TUESDAY, 19th January, 1943.

The Special Committee on War Expenditures met at 11.00 o'clock a.m.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Chevrier, Coldwell, Fournier (*Maisonneuve-Rosemont*), Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), McIlraith, Reid, Sissons, Winkler.

In the unavoidable absence of Hon. Mr. Fournier, Chairman, the chair was taken by the Vice-Chairman, Mr. Bradette, who on behalf of the Chairman, expressed the hope that untabled reports for presentation in the House would be ready this week.

Reference was made to the death of Mr. Bercovitch, and to the loss sustained by Mr. Harris in the death of his wife, and it was

Ordered,—That the sympathy of the Committee be conveyed to Mrs. Bercovitch and to Mr. Harris.

The question having arisen as to the re-employment of Mrs. Beattie, stenographer, and the Committee being of the opinion that sufficient stenographers were now employed, it was agreed, on the suggestion of Mr. Coldwell, that the Clerk of the Committee should ascertain if the services of Mrs. Beattie could be employed immediately by some Members other than those who belong to this Committee.

On motion of Mr. Reid,—

Resolved,—That the proposed Eighth Report (Third Report of Subcommittee No. 3) be now reviewed.

The Committee proceeded to the consideration of the said proposed Eighth Report.

The Committee adjourned at 1.00 o'clock p.m. until 3.00 o'clock p.m. this day.

The Committee resumed at 3 o'clock p.m. with the Vice-Chairman, Mr. Bradette, presiding.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Chevrier, Coldwell, Fournier (*Maisonneuve-Rosemont*), Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), McIlraith, Reid, Sissons, Winkler.

The proposed Eighth Report was further reviewed.

On motion of Mr. Homuth,—

Resolved,—That the Committee approve of the proposed Eighth Report, as amended.

Ordered,—That the said Eighth Report of the Committee (Third Report of Subcommittee No. 3) be presented to the House.

The Committee adjourned at 4.40 p.m. to meet at the call of the Chair.

JOHN T. DUN,
Acting Clerk of the Committee

FRIDAY, 22nd January, 1943.

The Special Committee on War Expenditures met at 11 o'clock a.m. Hon. Mr. Fournier (*Hull*), the Chairman, presided.

Members present: Messrs. Black (*Cumberland*), Bradette, Cleaver, Coldwell, Fournier (*Maisonneuve-Rosemont*), Fournier (*Hull*), Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), McIlraith, Pottier, Reid, Sissons, Winkler.

Mr. Sissons, Chairman of Subcommittee No. 2, presented a Third Report, the subject-matters of which were Conservation and Salvage.

The report was considered and amended.

On motion of Mr. Cleaver,—

Resolved,—That the Committee adjourn until 4 p.m. this day and that, in the interval, the members study the contents of the report.

The Committee adjourned at 11.50 a.m. until 4 p.m.

The Committee resumed at 4 p.m. In the absence of the Chairman, the Chair was taken by the Vice-Chairman, Mr. Bradette.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Cleaver, Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), McIlraith, Pottier, Reid, Sissons, Winkler.

The Committee resumed consideration of the Third Report of Sub-committee No. 2. Further amendments were made.

On motion of Mr. Sissons,—

Resolved,—That the Third Report of Sub-committee No. 2, as amended, be adopted as the Ninth Report of the Committee.

Ordered,—That the Ninth Report be presented in the House.

The Committee adjourned until Monday, 25th January, at 3 p.m.

JOHN T. DUN,
Acting Clerk of the Committee

MONDAY, 25th January, 1943.

The Special Committee on War Expenditures met at 3 o'clock p.m. In the absence of the Chairman, the Chair was taken by the Vice-Chairman, Mr. Bradette.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Cleaver, Fournier (*Maisonneuve-Rosemont*), Gladstone, Golding, Graham, Homuth, Johnston (*Bow River*), Macdonald (*Halifax*), Mayhew, McIlraith, Pottier, Reid, Sissons, Winkler.

Mr. Cleaver, Chairman of Sub-committee No. 1, presented a Second Report, the subject-matter of which was "Airport Sites".

The said second report was considered and amended.

On motion of Mr. Cleaver,—

Resolved,—That the Second Report of Sub-committee No. 1, as amended, be adopted as the Tenth Report of the Committee.

Ordered,—That the Tenth Report be presented in the House.

Mr. Cleaver presented a Third Report from Sub-committee No. 1, the subject-matter of which was "Aircraft Production and Shipbuilding Production".

The said third report was considered and amended.

On motion of Mr. Cleaver,—

Resolved,—That the Third Report of Sub-committee No. 1, as amended, be adopted as the Eleventh Report of the Committee.

Ordered,—That the Eleventh Report be presented in the House.

The Committee adjourned until tomorrow at 11 a.m.

JOHN T. DUN,
Acting Clerk of the Committee

TUESDAY, 26th January, 1943.

The Special Committee on War Expenditures met at 11 o'clock a.m. The Vice-Chairman, Mr. Bradette, presided.

Members present: Messrs. Black (*Cumberland*), Boucher, Bradette, Cleaver, Coldwell, Fournier (*Maisonneuve-Rosemont*), Gladstone, Golding, Graham, Johnston (*Bow River*), Macdonald (*Halifax*), Mayhew, McIlraith, Pottier, Reid, Sissons, Winkler.

The members in attendance were invited to comment on the work accomplished by the Committee, having in mind that a similar committee may be set up next session. A summary follows of opinions and criticisms expressed:—

Committee lacks direction. Government would save money by employing expert assistance such as chartered accountants, statisticians, engineers, who could act in advance, on instructions. Recommendations cannot be made to House unless Committee sure of its grounds.

Too much work devolves upon Sub-committee Chairman.

Committee should be appointed earlier and should sit all session.

In the Government service, any good results achieved seem to come from what is done by witnesses after they return to their departments, rather than as result of recommendations made.

A permanent Chairman should be appointed.

Reports of Committee should be debated in House.

When House is not in session, Committee should be under direction of a Minister.

A resume of each day's sitting should be prepared and supplied to every member of Committee.

A Sub-committee should limit inquiry to one subject instead of to three or four.

It is impossible to prepare adequate reports when secrecy is imposed.

Committee shorthand reporters should receive additional payment for services when House in recess.

Committee should investigate subject of women in war industry in relation to family life. The two lady Members might serve.

On motion of Mr. Gladstone,—

Resolved,—That the existing Sub-committees be discharged.

On motion of Mr. Fournier (*Maisonneuve-Rosemont*),—

Resolved,—That notice be given to the stenographers whose services were authorized by resolutions of the Committee on 13th November, 1942, and 18th January, 1943, that their services will not be required after Tuesday, 26th January, 1943.

Mr. Bradette conveyed an expression of gratitude from the Chairman (Hon. Mr. Fournier) for the splendid work accomplished by the Committee.

The Committee adjourned, *sine die*.

JOHN T. DUN,
Acting Clerk of the Committee

REPORTS TO THE HOUSE

EIGHTH REPORT

27th January, 1943.

The Special Committee on War Expenditures has received from its Subcommittee No. 3 the following report on Tank Production, Small Arms Ammunition Production and Chemicals and Explosives Production, which it has considered and adopted as its Eighth Report to the House:—

THIRD REPORT OF SUB-COMMITTEE NO. 3

On September 4, 1942, a re-allocation of subjects was adopted by the Special Committee on War Expenditures. The following subjects were assigned to Subcommittee No. 3.

- (a) Arsenal and Small Arms Ammunition Production.
- (b) Chemicals and Explosives Production.
- (c) Tank Production.

This Committee started its investigation on the 8th of September, 1942. It held 15 sittings and heard 10 witnesses. It visited a small arms ammunition factory, two tank factories, an explosives plant, a gun plant and a shipbuilding industry.

The Sub-committee begs leave to present its Third Report of findings and recommendations, all of which is respectfully submitted.

Tank Production

Another of the important divisions of the production group of the Department of Munitions and Supply is the Tank Production Branch. The Director General of Tank Production is Mr. B. D. Beamish. Of all the major production programs, tanks have unquestionably represented the greatest and most difficult conversion.

The making of army trucks was a natural transition for the automotive industry from peace-time production to wartime production. In the case of guns, ships, ammunition and, to a certain extent, aeroplanes, there was a manufacturing tradition from which to start and guide our steps. It was possible in those cases to follow the experience in the British Isles where the manufacture of such weapons had been well understood and had been going on for a long time. Not so, however, in the case of the tank. It does not remotely resemble its Great War ancestor and most English-speaking people, even those in the British Isles, regarded the making of tanks as an art well forgotten. When to this is added the difference of opinion prevailing prior to 1941 between the United Kingdom and the United States regarding types and construction of tanks, it can readily be understood why the tank program was later getting into operation and into production than the majority of other programs.

In the first place the manufacture of tanks does not relate to any peace-time industrial activity. A fighting aeroplane differs greatly from a commercial aeroplane. However, there is some resemblance. Prior to the war, we had a small civilian aeroplane industry and the need for aircraft in war

was understood in the middle thirties. There was a great interest among industrialists in Canada in this subject. The production of small arms was under way in the Bren program before the war and the gun production obtained not only complete designs but process manuals from the United Kingdom.

The manufacture of shells is a somewhat traditional activity in wartime in this country and was even under way before the war started, at National Steel Car. This country has long had a shipbuilding industry and basic designs of naval vessels had been developed in Britain early in the war. As opposed to this, not only was there no fully developed tank industry in the United States or in Great Britain which could be followed, but the whole basis of tank design and use has been one of the most contentious matters in the munition strategy of the United Nations. A modern tank does slightly resemble a tractor in its running parts; however, it is built, not out of thin sheets bent to shape in a press and lightly welded together with the idea of getting the lightest possible structure to carry the load as in the case of an automobile, but it is essentially a solid box of armour plate or castings wrought patiently to shape like the door of a bank vault. It has a turret like a battleship with some very definite problems of its own. A tank is actually somewhat like a locomotive which lays its own rails in front of it, and picks them up behind. It is also like a submarine—a steel box packed with complicated equipment, with fighting men and ammunition, and designed to use the last cubic inch of space and the last pound of weight.

At the outset of the war the very basic principles of design were not decided upon. It was not agreed whether to stress weight of armour, or gun power, or mobility; whether to concentrate the gun power in a turret or distribute it; whether to make the track of steel or of rubber; whether to concentrate on large production of simple light tanks or to make fewer, heavier, more complicated ones.

The tank made its first appearance during World War No. 1. It was invented by Lieut. (now Major-General) E. D. Swinton, in the United Kingdom. His plans for a self-propelled armoured vehicle centred around the use of caterpillar treads which had appeared on certain vehicles around 1907. The first tank ever built was completed in 1915. On the proving ground it showed its possibilities to curious groups of officials from all the forces. They realized that its greatest effectiveness lay in the secrecy with which it was built and ultimately sent to face the enemy.

Tanks were first used as an auxiliary arm in a military thrust at the Second Battle of the Somme. It was not until the battle of Cambria, in 1917, that their use achieved telling effect. By 1918 the German High Command were explaining Allied victories because of their use of hordes of tanks.

After World War No. 1, the tank was regarded in the democracies as something well forgotten. As Europe began to arm in the thirties, Germany and the middle European countries placed great emphasis on the tank and its counterpart, the anti-tank gun. But France behind its Maginot Line and Britain behind its Navy produced few new designs and few vehicles.

Prior to the war, Germany, from extensive experience obtained in Spain, had developed four sizes of tanks from eight to twenty-two tons. They were lightly armoured but well armed. The hulls were of welded armour plate. The fighting compartments were small and cramped. The chassis was simple—almost crude—giving no steadiness to the gun platform, on the theory that the tank runs to position, stops, then shoots. They were, however, simple to build and to repair and production was well under way by 1939. There has been no very extensive alteration to these basic types except to add a fifth model somewhat heavier.

France had produced a considerable number of light tanks made of small armoured castings bolted together. They were simple and cheap, to carry a two-man crew. The French also had some very highly developed medium tanks which were, however, most complicated to build.

The British made a light tank and two widely different medium types. One, the infantry tank, which was intended to move with the infantry and assault fixed positions and the other a cruiser tank, which was intended to play the role of heavy cavalry. As the British had not developed welding to the point to which it was developed in Germany, nor armour castings as it was developed in France, these tanks were made of armour plate fitted together with bolts.

The medium infantry tank was the Mark 2—the famous Matilda—which won the first battle of Tobruk in February 1941. It was very slow travelling, approximately eight miles per hour, armed with only a two pounder gun, but very heavily armoured. It was followed by the Valentine, armoured as heavily, but lighter in total weight and considerably faster—a much better tank to fight in. The cruiser tanks were less heavily armoured and much faster. The pre-war model was the “Covenanter” which developed into the Crusader and finally into the Cromwell, which is now the standard of the British Army. But in 1940 the most promising type was the “Valentine”.

In the late summer of 1940 it was decided that the Canadian Armoured Corps should be equipped with a cruiser tank, large, fast, and capable of ranging well ahead of the troops as did the German Panzer Divisions. Such a tank, the M3 medium, had been developed in the United States. The American Locomotive Company had a contract to build M3 tanks at Schenectady and an affiliated company, the Montreal Locomotive Works offered to build them in Canada. An order was placed and work commenced on a new tank arsenal and completed in September 1941. This is a Government owned plant operated by the Montreal Locomotive Works. This immense plant is second only in size to the Chrysler tank arsenal among tank arsenals in North America.

Canada has been manufacturing two types of tanks. They are the Valentine and the Ram 11 and are in production. The Valentine is a close-support infantry tank, intended for use in direct support of infantry movements. In actual battle it precedes the infantry advance clearing out barbed wire entanglements, and destroying heavily protected enemy positions, such as machine gun nests and fortified cupolas. Thus, it is not necessary that the Valentine have exceptional speed. What it lacks in speed, it makes up in manoeuvrability. It is capable of moving over the most difficult terrain.

There are three men in the Valentine crew—a commander, a driver and a gunner.

The Valentine is one of the best protected tanks built. The armour plate is heavy enough that only a direct hit can do much damage, and the angular design minimizes this possibility. Its low outline makes it a difficult target.

Valentines are assembled and a great many of the components built at the Angus Shops of the C.P.R. in Montreal, which employs many hundred men and an estimated eight million dollars of machine tools on this operation, in addition to taking care of essential locomotive repairs to keep the country's freight moving. In addition, another locomotive company machines heavy armour plate, a gear company manufactures the power trains, a third locomotive shop makes running chassis, an elevator company makes the electric gear for turning the turret, an iron and steel foundry casts the steel track shoes required in the hundreds of thousands, and some hundreds of other sub-contractors are working on smaller parts.

Many hundreds of Valentine tanks have already been shipped to Russia, each trainload of tanks carrying several box-cars of spare parts, box-cars of

ammunition, and a gondola car or so full of spare tracks. Each tank carries spare parts lists and instruction literature printed in Russian, and goes so complete that one consignment was reported to have been put into action within an hour of arriving at the base.

The Ram is designed to operate independently of the Infantry. A battalion of Rams probably would be quite some distance ahead of any other troops. Their job would be to clean out the well fortified enemy positions before any attempts are made at occupation. The Ram is very heavy in weight, sufficient to crush concrete cupola forts, or to demolish like enemy positions of almost any type of structure. A Ram tank would have little difficulty in drifting straight through an ordinary brick house, and with no appreciable damage to the tank.

As the Ram uses a good many components which are common to United States medium tanks, it fits in better with the continental war effort to have these supplied by large United States producers who specialize in one component only, and supply to several tank builders. This is the case with the engines, power trains, turret traverse gears. Many components, however, are made in the arsenal out of Canadian armour castings and armour plate, a rubber company produces track and tires, and there are many sub-contractors supplying parts. A number of these have been brought into the field though the "bits and pieces" program of the Department of Munitions and Supply.

DETAILED DESCRIPTION OF VALENTINE AND RAM TANKS

VALENTINE

General Description

The Valentine is a heavily armoured tank of low silhouette and great reliability intended principally to fight with Infantry in European terrain. The main armament is a 2-pounder anti-tank gun with which is mounted co-axially a Browning machine gun. There is also anti-aircraft protection. The chassis is of a complicated design and fitted with shock absorbers to give great stability to the gun platform and to permit shooting on the move. The tracks are wide in relation to the weight of the vehicle to permit operation in soft ground. The hull is made of very heavy armour plate throughout fitted with bolts. The turret is a heavy armour casting. This tank has a maximum speed of only 17 miles an hour as it is intended primarily for use with ground troops.

Use

Canadian-made Valentine tanks are being shipped to Russia where they have been used in quantity and are highly regarded, being of a type much more like Russian tanks than are tanks of American design. A few have been retained in Canada for training.

Components

The Valentine tank consists of a number of components each of which represents a small munitions program of itself—the hull, made of over 100 pieces of heavy armour plate meticulously fitted together; the turret and ball bearings ring on which it turns; the engine; the transmission, a complicated set of clutches, gears and brakes through which the tank is steered by applying power to either or both of the tracks; the suspension or chassis with shock absorbers; the track; the gun; the gun mount with buffer and recuperator; the driving and steering controls; the fighting platform attached to the turret with its traverse gear, the electric mechanism to turn it and the turret around rapidly or slowly; the periscopes; the machine guns and sighting devices; stowage items—a great variety of items stowed both internally and externally; the radio.

Capital Assistance

To Canadian Pacific Railway and its subcontractors—\$4,458,964.98.

Production

The first Valentine tanks were delivered to Canadian Ordnance in October, 1941. The first shipments to Russia were made in November, 1941. Shipments to Russia now total some hundreds complete with very extensive shipments of spare parts. Production is on a substantial scale.

RAM*General Description*

The Ram tank is a heavy medium cruiser tank intended to fight with the troops or to be capable of independent action. The Ram II tank, the type now produced, is the prototype of the United States M-4 and is regarded by the United States Ordnance as one version of the M-4 series of cruiser tanks. The Ram tank has a lower hull of armour plate and an upper hull of a heavy armour casting. The main armament is in a large cast turret, supplied with power traverse. With the main armament is mounted one machine gun co-axially and another is placed in a cupola next to the driver. It is powered with a Wright Whirlwind engine. The tracks are now of rubber but will shortly be replaced by steel.

Components

This tank is composed of a number of components each with its own manufacturing problems. They are: the lower hull; the cast upper hull with cupola doors, etc.; the turret with ball bearing rings on which it rotates; the engine; the transmission which includes a synchromesh gear box and the steering mechanism whereby power is applied to either or both of the tracks; the suspension or chassis; the track; the main gun; the main gun mount with buffers and recuperator and mechanism for elevating and lowering it; machine guns and other secondary armament; periscopes; sighting devices; the fighting platform attached to the turret and the power traverse gear which turns both it and the turret; stowage items stowed both internally and externally and including even a cook stove; the radio.

Use

These tanks are being delivered to the Canadian Army in England, a considerable number having been provided for training in Canada.

Capital Assistance

To the Montreal Locomotive Works and sub-contractors and Electric Steels Limited—\$13,395,945.10.

Production

The first Ram tanks were delivered to the Canadian Army in November, 1941. Some hundreds have since been produced. The output will shortly exceed the requirements of the Canadian Army and excess production will be available to our Allies.

WASTE IN THE MUNITIONS INDUSTRY DUE TO EMPLOYEES BEING TEMPORARILY NOT FULLY OCCUPIED

During its sittings your committee enquired into the oft-repeated statement that waste prevails in many plants manufacturing weapons of war. It examined the Director General of Tank Production on the subject of waste in the two plants under his immediate supervision. It examined him particularly with reference to certain periods of idleness, or temporary idleness, which are said to ensue from time to time, although not specifically in tank plants.

The Director General stated with respect to munitions plants generally that although actual cost is an important factor in the production of munitions, it is not the first consideration. The first consideration is the production of the greatest possible quantity of munitions and of as recent as possible a design. Munitions are produced to be wasted in total, and an additional cost in order to get faster production or in order to get production of a better type can, in the over all picture, result in an enormous saving. If the having of say 100 tanks at a given place at a given time saves the destruction of a city or the loss of a naval base, does it matter that these tanks cost \$50,000, \$100,000, or \$200,000, and if by doubling the cost of producing the tank one can also double its chances of survival in battle, along with the valuable soldiers in it, how can such be regarded other than as a saving.

Undoubtedly it is wasteful for workmen to be idle or partly idle; not so much in money as in the manpower resources of the country. Nevertheless, in the development of the munitions program, short periods of inefficient work or partial idleness must at times ensue. Anyone who is not a manufacturer is apt to overlook the point that munitions or any other kind of goods, are not made by machines but by people, and the building up of a properly skilled and properly directed team of foreman and workmen is every bit as important as having a factory filled with machine tools.

There are four cases in which temporary partial idleness is apt to arise:—

1. At the inception of a new program.
2. During a change-over based on a major design change.
3. During a temporary shortage of raw material.
4. During any hesitation in the program awaiting some military or economic decision which may be impossible to make instantly.

In the case of a new program three things must be undertaken simultaneously.

- (i) From the design drawings of a new piece of munitions, working drawings must be prepared, specifications studied and material ordered.
- (ii) Special machines and tools for the job must be ordered and the factory made ready.
- (iii) A new organization must be gathered and workmen trained for the job which they are to do.

Each one of these preparatory steps may be delayed, particularly in war-time, by circumstances entirely outside the control of the contractor or the Department.

- (i) The preparation of working drawings may be delayed by last minute design changes based on new invention or change in military tactics.
- (ii) The supply of certain vital materials may be delayed by conflict with another program, expressed in the United States by priorities.
- (iii) The delivery of machine tools may be delayed, or the preparation of the factory may be delayed by the discovery, half way through such preparation, of a very much better way to line up the work.
- (iv) Organization of the management or workers may be delayed due to the difficulty in finding the right men or to mistakes and misfits in placing executives.

It is obvious that if these three processes do not proceed with perfect synchronism, one of the three necessary functions will lag behind the others and one of these three conditions will result.

- (i) If the preparation of drawings or the ordering of materials based on these drawings lags there will be machines and workmen waiting for raw materials and jigs.
- (ii) If the ordering of machine tools and the preparation of the factory lags there will be materials and workmen waiting for machines.
- (iii) If the organization and workmen lag there will be machines and materials idle for men to work them or foremen to manage.

Obviously, there cannot be perfect synchronization in the starting of a new program. For example, at the commencement of the Valentine program, the finalization of drawings and obtaining of materials lagged slightly behind the preparation of the factory and the provision of the organization. In the case of the Montreal Locomotive Works, the organization of foremen and men lagged slightly behind the materials and machine tools. In neither case was the imbalance serious but it is apt to occur in any large complicated program. Synchronization is a matter of manufacturing skill on the part of the executives of the contractor and the production officials of the D.M.S.

In connection with the change-over from one program to another, the same considerations apply, only in this case the organization and usually the larger part of the machine tools already exist so that the delay is likely to occur in the study of the drawings and in the ordering and delivery of materials. When this happens the management is faced with a serious dilemma. Either it must sacrifice the organization of the labour team or it must continue to pay men temporarily for work which they cannot do at full speed because they lack materials and new shop specifications. It should be remembered particularly that the efficiency of a factory, like the efficiency of a football team, depends not alone upon the individual skill of the workmen but upon their capacity to work together as a team. To lay off workmen in any number without being certain of being able to recall them on demand, means, in the first instance, that it may be impossible to obtain on short notice workmen of equal skill, particularly for the specific job. Even if it were possible to obtain workmen of equal or superior skill, the fact that they are not the same individual workmen means inevitably that the building up of the team has to be done over again. If, therefore, there is a delay in a munitions program due to change of design or temporary shortage of material or to some military or economic indecision, it may very well be cheaper to maintain men in temporary idleness than to break up a valuable team.

Discontinuance of the Valentine Tank Program

The Valentine tank, essentially an infantry tank, was designed around the concept of modern warfare which has now altered. It is relatively slow. It is not heavily armed and is not capable of being heavily armed. Its good qualities—very heavy armour, low silhouette, high manoeuvrability are particularly suited to the kind of warfare now being fought in Russia and the Russians compare it favourably with other tanks which they have received up to date from their Allies. From the tactical point of view of the Canadian Army however, it is being superseded by tanks with greater speed and gun power.

The above illustrates the divergence of viewpoint between the heads of various allied commands in regard to the relative merits of different types of tanks. This is possibly due to the different terrain on which different types of tanks have been used.

The Committee was informed that after careful consideration and consultation with allied countries it had been decided that production of Valentine tanks should be discontinued in Canada.

Your Committee notes the divergence of viewpoint and expresses the hope that greater inter-allied consultation and exchange of information would eliminate such difficulty.

The Valentine program commenced at Angus Shops C.P.R. in June, 1940, was primarily for British requirements. The Canadian Army gave a substantial order in 1940, but preferred the cruiser type of tank, and when production of the latter was under way in 1941, the Canadian order was transferred to the British Ministry of Supply who were to take all the tanks except a few withheld for training, and undertook to be responsible for capital assistance. These tanks were assigned by the British Ministry of Supply to Russia at the end of 1941.

In March, 1942, a British Tank Mission, including the British Director General of Tank Supply and the Deputy Chief of the British General Staff, recommended that the production of the Valentine be discontinued after the then existing orders, which were to be shipped in their entirety to Russia, had been completed and that the facilities be utilized, if possible, in the manufacture of tanks of the U.S. M-4 type. Negotiations were at once commenced to incorporate the facilities of the C.P.R. into the tank building program of North America, but in this there were several insoluble problems. This led to a decision by the Joint Technical Sub-Committee on Tanks of the U.S.-Canadian Joint War Production Committee, that the facilities of the C.P.R. and its sub-contractors should, after the completion of the Valentine order, be no longer used for the production of complete tanks but as far as possible for the manufacture of components for M-4 tanks being made at the Montreal tank arsenal. It was later decided to use them partly for this activity and partly for production in connection with naval shipbuilding program, for which they are excellently suited. The reasons for this decision were as follows:—

1. The U.S. M-4 tank is very unlike the United Kingdom Valentine tank, and there are no components and almost no operations which relate to each other. The C.P.R. therefore, while still nominally making the same item of munitions, would be in fact starting on a program to make a quite different item of munitions.

2. As the North American tank program has developed, the facilities for assembling complete tanks have greatly outrun the facilities for making several critical components. These components require enormous capital facilities in relation to their value, and in 1940 and 1941 the requirements of cruiser tanks by the Canadian Army were not large enough to warrant development of these facilities in Canada. The facilities of the C.P.R. and its sub-contractors are not suitable for the making of any of these critical components and the program would, therefore, be dependent on receiving these from the United States. This could only be at the expense of some presently operating U.S. tank arsenal and would not contribute to the total number of tanks produced in North America.

3. In Canada, likewise, our facilities for the assembly of M-4 tanks exceed, not only our capacity to manufacture components but the requirements of the Canadian Army. The Montreal tank arsenal is a large new plant designed especially for the building of M-4 tanks and therefore more efficient for this purpose than the converted railway repair shops of the C.P.R. The capacity of the Montreal tank arsenal for assembling M-4 tanks and the present schedule of production is estimated to be substantially in excess of the requirements of the Canadian Army.

4. Since the Valentine tank is no longer required either by the Canadian Army or the British Army, and since we have more than adequate assembly facilities for M-4 tanks elsewhere, it was considered more advantageous to the war effort to devote these facilities to the manufacture of an operation which can in a large measure be self-contained rather than to the building of a larger number of tanks requiring critical components supplied from the U.S. for delivery again to the U.S. or some other Ally.

CONCLUSIONS

Tank production was one of the most difficult munitions undertakings for Canada to engage in, because it did not relate to any peacetime activity and because we, in common with our Allies, had to start the manufacture of tanks concurrently with finishing the design. The Canadian program is further complicated by the fact that in 1940, when a wartime industrial structure was being moulded, orders for Canadian cruiser tanks were not sufficient to warrant the setting-up in Canada of the exceedingly expensive facilities for making engines, transmissions, or enormous castings for which we are dependent on the United States.

In our study of tank production, therefore, a branch which is necessarily in the earlier stage of development than other branches of the munitions effort, we had the opportunity to observe the broad problems of munitions manufacture in Canada, not only those problems which had been overcome, but those problems which still face us.

The early problems were first, to obtain full information on authentic designs, to develop sources for vital materials, to train men and organize them into new industrial units, to obtain machine tools and to house them in factories, and to spread enormous programs over a wide range of sub-contractors. We observe that these problems have, in great measure, been overcome, in addition to the one peculiar to tank production; organizing heavy industry to the line production of vehicles of 20,000 parts or more, of rapidly changing design, and heavy spare parts requirements; and that we have in Canada built up an industrial structure for the production of munitions which is apparently capable of absorbing all the available man-power of the country. However, as is evident from our study of tank production, we now face in our munitions effort the problem of maintaining it as a uniform expansion.

Industrial development in wartime differs from industrial development in peacetime, chiefly in its enormous pace, in which the normal development of a year is collapsed into a month, but just as peacetime development does not occur without interruptions and even temporary retrogression, so in wartime the industrial structure, after its first great expansive surge, cannot be expected to progress in a straight line. This is exaggerated by the peculiar problems with which the allied nations are faced.

In the development of tanks and, therefore, presumably in the development of other weapons of land warfare, the Germans spent millions of dollars and thousands of lives in the Spanish War, which was for them an immense laboratory. During that war they evolved a policy with respect to tanks of producing four basic types which fitted in, not only with the industrial potentialities of Germany, but with a definite strategic conception of warfare, and it is surprising to discover that while emphasis of the German Army is now on its two heavier types of tanks as against emphasis on its two lighter types in the Battle of France, these basic types have not substantially altered.

On the other hand, the United Nations, without this preparation in land warfare, have apparently shown considerable divergence of military opinion as to the strategic concept and the consequent design of tanks, not only between

the Armies of different nations, but in the same Army from one time to another. Those who provide tanks, therefore, and this probably also applies to other items of land warfare, find themselves in the position of having large programs become obsolete, to be replaced by new ones requiring different combinations of machine tools, with the consequent temporary disorganization of great teams of labour in the assembly factories and the industrial teams of contractor and sub-contractors.

This continuous re-alignment of industry to fit new programs is likely to prove as difficult and as technically detailed a problem as the original setting up of it, and the problem is greatly complicated by the fact that we have not in Canada a completely rounded industrial economy. We do not, for instance, produce enough steel for our whole munitions effort. We do not produce several essential components to all munitions, such as certain alloy steels, ball bearings, certain electrical parts, etc., and the development of these things, always a lengthy process, would now be more lengthy. Therefore, not only are our programs changing, but the programs and each change in them must be continuously knitted into the wartime industrial structure of the United States. It is obvious, therefore, that in order to maintain the pace of our activity, it will be necessary to move considerable quantities of machine tools from one contractor to another, and to move labour from one industry to another, and it will, nevertheless, probably be impossible to avoid considerable industrial waste.

Observing these problems, your Committee is of the opinion that economy in the production of munitions of war will be dependent largely upon three things:

(1) The success with which the Army can reach and maintain a continuing strategic concept upon which tanks and other munitions can be based.

(2) The alertness of those executives both in Government and industry charged with design of munitions to interpret this strategic concept in a way to fit our resources.

(3) The skill with which our programs and resources can be fitted into the structure of North America, so as to make our greatest contribution without delay in obtaining essential materials.

These are all administrative functions, technical and diplomatic, and upon them depends economy, not in millions but in hundreds of millions. Your Committee therefore considers that it is unwise to concentrate on what might seem to be small savings in the administrative routine when such enormous sums turn upon the professional wisdom and maturity of those who administer the system. We offer, therefore, no specific recommendations.

SMALL ARMS AMMUNITION PRODUCTION

One of the best jobs done by the Department of Munitions and Supply is that of the Arsenal and Small Arms Branch. Its Director-General is Brigadier-General D. E. Dewar, who has had a vast experience in the manufacture of ammunition.

From the evidence obtained by your Committee, it is evident that the operation of a relatively small pilot plant in the production of small arms ammunition prior to the war was of very great benefit. It further appears that experimental work by industry as a pre-war effort was of great importance. A conclusion that one must inevitably come to is that ammunition of a very high quality is being produced in Canada and it is also apparent that production of small arms ammunition was developed soundly and rapidly with considerable attention to the economy of production. The training received in peacetime

by a relatively small number of key personnel contributed to a considerable extent to the very satisfactory condition which exists in Canada in the production of small arms ammunition for war purposes.

At the outbreak of hostilities in 1939 Canada was operating under the direction of the Minister of National Defence a small arms cartridge factory on a production basis of approximately three-quarters of a million rounds a month of one nature of ammunition. Old equipment was available for approximately fifty million rounds a year, and at the time war broke out much of this equipment had been overhauled and put in shape for the production of ammunition. This equipment had been retained by National Defence after the termination of the 1914-18 hostilities. This was the only factory in Canada actually in production on service types of small arms ammunition.

A private company was operating a small factory in the production of commercial types of ammunition. This company, on representation from the Department of National Defence, had carried out some development work in connection with a .303 ball ammunition production and had produced a small sample lot of this type of ammunition for trial purposes. This private company's cartridge had been accepted by Canada for wartime use and within a very short time after the outbreak of war the United Kingdom also accepted this cartridge. It may be said that this company's type of ammunition varies from the specification for the British ammunition and these variations were allowed in order to permit the company to utilize certain of the methods of production normally used by them in the production of their commercial ammunition. The only conditions imposed on the company at the time it was asked to develop the cartridge was that the ammunition must be satisfactory from the standpoint of accuracy, safety and functioning in military purposes.

This, therefore, was the situation which existed at the time war was declared. A year after the outbreak of war a Government factory was producing eleven times the amount of ammunition that it was at the outbreak of war. By the end of the second year of the war the Government factory was producing at the rate of thirty-six times the amount of ammunition produced at the outbreak of the war. By March, 1942, this factory was producing fifty-three times the amount of ammunition manufactured at the outbreak of war.

As regards development of production by industry, the first order was given in January, 1940, to D.I.L. By August of that year the plant was producing at the rate of approximately five million rounds a month, and by March, 1941, had reached a capacity of ten million rounds a month. By the end of 1941 industrial plants were producing at the rate of 445 million rounds of ammunition a year.

Development of production of new natures and increases in production of old natures are still proceeding. During 1942 the actual production of small arms ammunition will be 140 times that of the twelve months before the war.

When the various plants producing small arms ammunition in Canada reach visualized capacities some time in 1943 they will be producing over 400 times the amount of ammunition which was being produced when war was declared. At the outbreak of war only one type of ammunition was being produced and when these plants reach capacity they will be producing twenty-one different types of ammunition.

Small arms ammunition is described as all natures of ammunition with bullet diameters up to one inch. This ammunition is used with rifles, machine guns and revolvers. A complete round of small arms ammunition includes a brass cartridge case, percussion cap, propellant charge and bullet, or in the larger natures, a shell.

Small arms ammunition is produced by mass production, and it is of the greatest importance that the machines used are capable of ensuring great accuracy in this production.

There are several general types of modern small arms ammunition. These may be classified as follows:

1. Service Ball.
2. Armour Piercing.
3. Tracer.
4. Incendiary.
5. Proof.
6. Dummy.
7. Drill.
8. Blank.
9. High Explosive Incendiary.
10. High Explosive Incendiary Tracer.
11. Armour Piercing Incendiary.

Each of these natures of ammunition has been assigned a role according to the modern methods of warfare.

The calibres of small arms ammunition production in Canada conform to the calibres of the weapons used in the British Service. The following is a summary of the calibres and types of ammunition produced, with a general statement of the type of weapons in which the ammunition is used.

·303" Ball Mark VII

This is the standard British cartridge used for ground service by infantry against personnel in rifles and light machine guns. It is also used to a considerable extent from machine guns mounted in aircraft. As the nomenclature of this ammunition indicates, it is used with weapons having a ·303" calibre, such as the Lee-Enfield Rifle, Bren Machine Gun and the Browning Machine Gun. This type of ammunition was produced in Canada at the outbreak of war at the rate of nine million rounds a year. During 1941 four hundred and three million rounds were produced. Two different natures of ·303" Ball Mark VII are being produced. One contains a cordite charge, the other contains a powder charge. Ammunition which has a powder propellant is distinguished by the letter "Z" placed after Mark VII.

·303" Ball Mark VIII

This type of ammunition is very similar to the Ball Mark VII except it has a streamline bullet. It is used by the Land Services at long distances for firing over the heads of advancing troops against enemy targets. This ammunition is fired from machine guns which are specially sighted for the ammunition. No call for this type of ammunition to be produced in Canada was received until 1941. No production was carried out in 1941. A Canadian plant is now in production.

·303" Armour Piercing

This type of ammunition is used against light armour largely from guns mounted in aircraft. It can be fired from weapons of ·303" calibre. No call for this type of ammunition to be produced in Canada was received until the end of 1940. A Canadian factory commenced production in 1941.

·303" Tracer

This type of ammunition is used in weapons of ·303" calibre. It is largely used for ranging purposes. There are three different natures of Tracer currently in production, i.e., the G.IV, which is an Air Force type, and which is now being

replaced by a new type known as G.VI. Also there is the G.II type which is used by the Army. No call for this type of ammunition to be produced in Canada was received until 1940. A Canadian factory commenced production in 1941, and produced approximately one hundred and sixteen million, five hundred thousand rounds by the end of August, 1942.

·303" Incendiary

This type of ammunition is used in ·303" calibre weapons. It is used against material rather than against personnel, and the largest requirement is for use from Browning machine guns mounted in aircraft. No call for this type of ammunition to be produced in Canada was received until 1940. Owing to difficulties in securing equipment, no production was accomplished up to the end of 1941. The ammunition is now being produced.

·303" Proof

This type of ammunition is used by inspectors in testing the strength of new ·303" weapons. It contains a propellant charge considerably in excess of the normal charge contained in the ordinary types of ammunition. If the new weapons withstand the firing of the proof ammunition they will be safe to use with ordinary service types. No call for this ammunition to be produced in Canada was received until 1941. A Canadian factory commenced production in 1941.

·303" Dummy

This type of ammunition is used by inspectors for testing the functioning of new ·303" weapons. It is also used as an assembling component in connection with certain Bren gun magazines. It contains no explosive material. No call for this type of ammunition to be produced in Canada was received until 1941. A Canadian factory commenced production in 1942.

·303" Drill

This type of ammunition is used by the services for practice in teaching the operation of various types of ·303" weapons. It contains no explosive and the case is specially fluted so that army personnel may readily distinguish between the loaded cartridge and a drill cartridge. No call for this type of ammunition to be produced in Canada was received until 1940. A Canadian factory commenced production in 1942.

·303" Blank

This type of ammunition is used in manoeuvres. It contains a gun powder charge, but has no bullet. No call for this type of ammunition to be produced in Canada was received until 1941. A Canadian factory commenced production in 1942, and produced approximately three million rounds up to the end of August.

9-MM.

This is a ball type of ammunition fired from the Sten Sub-Machine Gun. No call for this type of ammunition to be produced in Canada was received until 1941. A Canadian factory is now in production.

·455" Revolver

This ammunition contains a ball bullet. To a large extent it is used by officers in the Navy from revolvers. No call for this type of ammunition to be produced in Canada was received until 1941. A Canadian factory will shortly be in production of this type.

•380"

There are two types of this ammunition, one is used for practice and contains a lead bullet,—the other is used by officers, both in the Army and Air Force. It contains a jacketed or hard bullet. This ammunition is fired from Service revolvers. No call for this type of ammunition to be produced in Canada was received until 1940. A Canadian factory has commenced production.

•22"

This ammunition is used for small •22" weapons for musketry purposes in order to conserve the supply of the more expensive types of ammunition. No call for this ammunition to be produced in Canada was received until 1940 and by the end of 1941 the production was fifty-one million, six hundred thousand.

1" Aiming Rifle

This ammunition is used in training coast defence personnel, and is fired from a sub-calibre weapon fitted in the large coast defence guns. The purpose of this ammunition is to conserve the supply of the expensive coast defence ammunition. No call for this ammunition to be produced in Canada was received until 1940. Production commenced in 1942.

•50" Vickers A.P.

This type of ammunition to be used in a Vickers machine gun by the Navy against targets which carry light armour. No call for this ammunition to be produced in Canada was received until 1940. No production has yet been possible.

•55" Armour Piercing

This ammunition is fired from Boys Anti-Tank rifles against tanks. As the name indicates, it is armour piercing. No call for this type of ammunition to be produced in Canada was received until 1941. A Canadian factory is now in production.

20-MM. High Explosive Incendiary

This type of ammunition is fired from 20-MM. guns mounted in aircraft. A somewhat similar type of ammunition used in the Navy 20-MM. Oerlikon guns against aircraft is used. As the name implies, the ammunition has an incendiary effect, as well as a bursting effect on impact. No call for this type of ammunition to be produced in Canada was received until 1941. Canadian production will commence shortly.

20-MM. High Explosive Incendiary Tracer

This type of ammunition is used from the same weapon and against the same targets as 20-MM. High Explosive Incendiary. This ammunition has an incendiary effect as well as a bursting effect on impact. In addition, the shell traces in flight. No call for this type of ammunition to be produced in Canada was received until 1942. Canadian production will commence shortly.

20-MM. High Explosive Armour Piercing Incendiary

This type of ammunition is used for the 20-MM. guns mounted in aircraft. No call for this type of ammunition to be produced in Canada was received until 1942. Production will commence shortly.

Canada is turning out more small arms ammunition in one work shift than pre-war facilities could have produced in two months. Rifles and machine gun bullets are being produced from war company plants at twice the 1941 production rate.

From small beginnings Canada's capacity for the production of small arms ammunition has undergone such a swift expansion that it is now a

spectacular feature of the nation's munitions program, covering a wide range of types and calibres. The output is at the rate of 1,500,000,000 rounds a year or more than 60 rounds every second, day and night the year round.

Where 500 workers were once employed in one plant, now 30,000 workers in two government arsenals and many factories being operated by the government for private interests are turning out ammunition for the Bren Gun, Sten Carbine, Browning Machine Gun, Lee-Enfield Service Rifle and Boys Anti-Tank Rifle for the armed services of the United Nations. More than half the employees are women and girls.

The important feature of this year's program is the fact that there is available in Canada equipment and facilities for making many of the machine tools that once had to be brought in from the outside. Until recently, certain components had to be imported.

A new Canadian plant which has just gone into production of cores for armour piercing bullets is rated as one of the largest of its kind on the continent. Construction of this plant equipped with batteries of automatic screw machines now enables Canadian production of cores which once had to be imported. Arsenals and plant facilities in general are of the most modern type.

The current production of 1,500,000,000 rounds each year is being constantly enlarged. Output represents a value of \$1,000,000 a week.

Following the trend of modern warfare more incendiary and more armour piercing types are coming off the production lines. The production of Sten carbines will be quadrupled in the course of the next year; the output of 9-MM. ammunition for this weapon has been stepped up.

Production of .303" ball ammunition reached plant capacity early this year and now is 50 per cent above former objectives. Capacities for turning out .55" calibre ammunition have recently come into operation and various types of .50" calibre and 20-MM. ammunition will be coming off the lines shortly.

Production of .455" ammunition is scheduled for next year.

Canadian ammunition is in great demand in the United Kingdom. It might be interesting to quote in part a communication from the Director General of Small Arms Ammunition, Ministry of Supply, London, England, in which he says: . . . "I should like to take this opportunity of saying what a splendid job we all think you in Canada have done in solving the problem of rapidly increasing your production; at the same time making material of the highest quality".

Mr. H. E. Cline, the United Kingdom expert in the production of small arms ammunition sent by the United Kingdom to the United States in connection with the development of small arms ammunition in that country stated: ". . . If I may be allowed to express an opinion it will be that this new arsenal (referring to a government arsenal producing .303 inch mark 7 small arms ammunition) is promising to be the finest and best equipped in North America. As you know, I have visited every plant, including Frankfurt Arsenal in the United States, who are manufacturing small arms ammunition and I say without fear of contradiction that the manner in which your new arsenal has been laid out and equipped is far ahead of any organization, either old or new, which I have come across during the last fifteen months."

"These same remarks apply, even more so, to the loading factory at. . . This loading factory, to my mind, is better equipped and better laid out with all the modern methods and safety devices, especially in taking care of the safety and welfare of the worker than any loading factory which I have ever seen, either in America or on the continent of Europe. . . ."

The Committee was pleased to learn that Canada has established a fine reputation for the manufacture of small arms ammunition in Great Britain. It was given in evidence that ammunition from Canada was 100 per cent effective, gave no trouble in any respect and was, if anything, above the standard of that produced elsewhere.

CHEMICALS AND EXPLOSIVES PRODUCTION BRANCH

Explosives enter to a large extent into the manufacture of ammunition production and small arms ammunition production. In other words, explosives are a necessary component of shells and ammunition.

The Chemicals and Explosives Production Branch of the Department of Munitions and Supply came into existence in October, 1939. Its Director General is J. R. Donald. Since that date the work of this Branch has steadily continued to increase. The Branch acts in an advisory capacity to the Minister and the Department in relation to the supply of explosives and chemicals as required in the war effort, and generally directs the chemical and explosives program of the Department.

An additional important function has been the supply of pyrotechnic requirements, such as flares, signals, cartridges, etc., and special smoke-producing munitions. These are produced for the Canadian Army, Navy and Air Force, and also for export to various parts of the Empire.

More recently a new Division within the Branch has been created.

The large program of the Branch has, in the main, been created to meet the requirements of the United Kingdom for explosives and chemicals. Canadian facilities available at the beginning of the war for the production of military explosives and chemicals were small. To meet the large demand from the United Kingdom, it was, therefore, necessary to erect large explosive and chemical plants. To supply the intermediates and raw materials required by these main plants it was also necessary to create sources of supply for these products. This necessitated the creation of further plants and the expansion of existing industrial operations. It can be stated that, in addition to the new facilities provided since the outbreak of the war, the existing facilities of Chemical Industry in Canada have been practically entirely absorbed into the war effort.

As regards the explosives program, this has, in the main, been developed as subsidiary to the United Kingdom explosives program and as a reserve against loss of production in the United Kingdom. At the present time, Canadian capacity for the production of propellants and high explosives is nearly as large as that of the United Kingdom capacity, although further expansion in the United Kingdom is still underway. Canadian requirements represent a small percentage only of Canadian production and, consequently, the major output of our plants must go forward to the United Kingdom or our Allies, either in the form of bulk shipments of explosives or in finished ammunition.

The chemical program, as already indicated, has been built up, first to supply needed chemicals to the United Kingdom, and, secondly, to supply intermediates and raw materials required by the Canadian explosives and chemical program.

The ammonia and ammonium nitrate plants, which are regarded as part of the chemical program, were created to supply reserve capacity for the United Kingdom, but, at the same time, they supply the necessary ammonia which is an essential raw material in the manufacture of explosives.

To perform the functions required of it, the Branch has built up its organization along the following lines:—

1. An Explosives Division, generally supervising the supply of explosives, co-ordinating the requirements from the United Kingdom, Canada and other sources, and directing the distribution of the output of the explosives plants.

In addition to the explosives plants proper, this Division supervises the chemical operations which are subsidiary to the explosives operations. This Division works in close co-operation with Allied War Supplies Corporation, who are directly responsible for the operations of the Government-financed plants and who look to the staff of the Chemicals and Explosives Production Branch for instructions as to the quantities and kinds of explosives required and their final disposition.

2. A Chemical Division, which generally supervises the supplies of chemicals, other than those required in the explosives program, these also including chemical warfare requirements, which are becoming an increasingly important item in our program. This Division also works in close co-operation with Allied War Supplies Corporation.

3. A Pyrotechnic Division, which has general supervision of the supply of pyrotechnic and smoke munitions.

4. A Research and Investigation Division, which concerns itself with the development of processes, alternative supplies of raw materials, and the development of new products. The work of this Division is closely co-ordinated with the work of the Canadian National Research Council, the National Defense Research Committee of the United States, the Canadian Department of National Defence, and with the Ministry of Supply in the United Kingdom.

5. Service Division. This Division keeps the necessary records covering the production and distribution of the production and the various transactions involved. It co-operates with the Deputy Minister's Office in determining the policy to be adopted in regard to the charges to be made for production from Government-owned or controlled plants sold to other than the British or Canadian Governments. This Division can, in a general way, be said to look after the business and records side of the Branch, also closely co-operating with the Purchasing Branches of the Department of Munitions and Supply.

6. Ottawa Division. Since July, 1940, the headquarters of the Chemicals and Explosives Production Branch have been in Montreal to enable the necessary close co-operation with Allied War Supplies Corporation, who have been entrusted with the supervision of the operations of the Government-owned and Government-financed projects, which represent the major part of the chemicals and explosives program. To deal with the numerous matters requiring attention in Ottawa and also to keep in close contact with the other Branches of the Department and the Services, offices have been maintained in the Department of Munitions and Supply buildings in Ottawa. In addition to acting as liaison with the Montreal office, this Division acts in an advisory capacity to the Purchasing Branches of the Department in relation to the purchase of chemical stores.

The majority of the senior staff of the Branch consists of highly trained chemists and chemical engineers, a number of whom are on loan from their Companies. At practically all times the Branch has been understaffed and too much appreciation cannot be expressed of the loyal and untiring services, involving long hours and lack of holidays, which has characterized the staff as a whole.

A brief outline of the method of operation of the Branch is as follows:

Enquiries are received by the Department of Munitions and Supply from the United Kingdom Government, Allied Governments, or from other Canadian Government Departments, for the supply of certain explosives and chemicals. The various possibilities of obtaining these products in Canada are investigated, giving due consideration to existing facilities, the available technique, the raw materials required, and the general economic factors involved. If the material required is already made in Canada, the manufacturers are consulted and the possibility of obtaining the necessary supply from existing sources is investigated.

If the existing supply is inadequate, the possibility of expanding existing Canadian production is considered, or, if existing production cannot be suitably expanded, ways and means of installing entirely new capacity are considered. When a decision has been reached as to the most suitable method of providing the necessary supplies, a recommendation is made to the Minister, with a full statement of the reasons for the recommendation. If provision of the supply necessitates an entirely new Project, involving Government-financing and substantial expenditure, it is usually recommended that construction and operation of the project be placed under the supervision of Allied War Supplies Corporation.

One of the major activities of this Branch has been the thorough study of the supply position with a view to safeguarding the raw material requirements for the program.

As the various explosives and chemicals come forward, instructions for the distribution are given to either Allied War Supplies Corporation or to the contractor for shipment of the finished products as required.

In addition to co-ordinating our program with United Kingdom, Canadian and Empire demands, we have worked closely with United States Government Departments, endeavouring to avoid unnecessary duplication on either side of the Line. The general problem of co-ordinating demands with production and supply of raw materials has required constant attention and much forethought. Fortunately, to date, where United Kingdom requirements have fallen off, we have been able to maintain full operation of our plants by diverting our surplus production to the United States.

The first major undertaking of our program was the cordite and T.N.T. plant which was authorized in the early part of 1940. At the same time, the possibility of additional explosives' capacity in Canada was being studied and, also, the supply of such basic raw materials as ammonia and sulphuric acid. From February, 1940, onwards, demands from the United Kingdom began to make themselves felt, and, by the end of December, 1940, the larger main projects in our program had been started.

There has been a steady expansion of the program since December, 1940, but at a slower rate. Some of the more recent projects have been particularly interesting, reflecting new scientific developments and changes brought about by the course of the war, notably, alkylate plants, producing high octane blending agents required in aviation gasoline; a new carbide furnace to produce carbide required by the United Nations in the production of neoprene, a synthetic rubber; and a noteworthy Canadian development having to do with the manufacture of a new high explosive, by a process developed by our Research Division. This process has been carried from the laboratory test-tube scale in May, 1941, to full plant operation in August, 1942. This process has been adopted by some of the United Nations as the main process for the production of this new super-explosive.

In general planning of the program, careful consideration has been given to the desirability of making the program self-sufficient, as far as possible, within Canada. For example, at the commencement of operation, the cordite and N/C powder plants were dependent upon imported cotton linters. By successful co-operative effort, involving our Research and Investigation Division, the operating companies, and certain operating technique available in the United States, we have succeeded in almost entirely replacing cotton linters with wood pulp. Assuming full operations of the plants and current prices of linters and pulp, this will involve a saving of some \$2,000,000 per year and the supply of the raw material from Canadian sources. Similarly, in generally planning new production in Canada, consideration was given to the possible

post-war value of the proposed new plants and it was endeavoured to so locate the plants that they should be of maximum value to the Canadian economic structure. The establishment of the sulphuric acid plant to serve an explosives plant and the design of this plant to use Canadian pyrites is an excellent example.

Canadian Chemical Industry as it existed prior to the commencement of this war was largely the outgrowth of the 1914-18 war period. There is no doubt that the Canadian chemical and explosives program will have a marked effect on post-war Canadian development.

RECOMMENDATIONS

On June 29, 1942, your Committee filed its first report on Munitions Contracts. In that report it criticized the use of the cost plus percentage contract, pointed out that the Munitions Contract Branch disliked cost plus percentage contracts and preferred a fixed price contract arrived at after competition or private audit. It found further that the cost plus percentage contract, although the least desirable, was inescapable where there existed a variation of a great number of parts on which no cost basis could possibly be made. It referred, as an example, to certain guns having as many as 2,400 parts where it was impossible to make an accurate estimate of the costs of each of these parts. In those cases resort was had to the cost plus percentage contract.

Your Committee now finds that, while at the outset of the manufacture of certain munitions of war it was necessary to resort to cost plus percentage contracts, it has now become increasingly evident that these should be replaced by fixed contracts. Whereas in the past two years, especially, the military stores required by the fighting forces were so completely new to Canadian manufacturers and to the Department that no reliable advance estimate of production costs could be made, there was no alternative for a time to reimbursing the contractor for his actual costs and allowing him a limited margin, preferably by way of a fixed sum per unit of output, or, alternatively, by way of percentage. All this, however, has been preliminary to Government audits to arrive at fixed prices on repeat orders on an equitable basis.

Your Committee has considered the purchasing policy of the Department of Munitions and Supply and concurs in its fundamental view that fixed price contracts are the most satisfactory in the public interest, wherever an adequate basis exists for ensuring that undue profits are not allowed.

Your Committee finds that up until this time approximately 4/7's in number of the contracts awarded by the Department have been let through competitive bidding. The remaining 3/7's are those contracts in which competitive bidding is not possible and it is with reference to these that resort is had to the cost plus contracts of the various types. Your Committee strongly recommends that the cost plus contracts should be eliminated as soon as possible in favour of the fixed price contract. This contract is based on an agreed set price not subject to change and, regardless of what the contractor's costs may be; that is, if he loses it is his loss, and if he is able to manufacture more cheaply it is his gain.

Your Committee feels that if the policy of the Department to settle fixed prices wherever a proper basis therefor can be found is carefully applied, then a very large proportion of the contracts (possibly 90 per cent) will be granted on a competitive basis, which is by far the most satisfactory system.

Your Committee in its first report, also recommended that larger numbers of cost accountants should be employed in the various plants. As our investigation progressed, it became manifest that the work of cost accountants is increasingly important.

Your Committee finds that the establishment of fixed price contracts is due in large part to competent cost accounting. Hence the importance of competent cost accountants cannot be over-emphasized.

Your Committee visited the plant of D.I.L. at Brownsburg. In peacetime this was a modest plant operating in a small community and manufacturing ammunition for commercial purposes. To-day it is operating on a large scale. It produces .303" tracer ammunition and because of the surplus of population which has gathered there, many problems have been created. Your Committee wishes to draw attention to overcrowding which exists in this community on account of large scale war operations and particularly to problems concerning housing and education.

Your committee was impressed with the staff houses and workers' camps erected for the convenience of male and female employees. These staff houses and workers' camps are not elaborate, but they seem to take care of the immediate needs of the employees. They consist of housing accommodation for men and women, restaurant, laundry and other services. Your Committee was particularly impressed with the infirmary which is placed at the disposal of the employees.

Your Committee was favourably impressed with the communal centre erected at the DeSalaberry works, near Valleyfield, which it visited in connection with the chemicals and explosives program. This centre consists of housing accommodation for men and women, restaurant service, community hall, recreational centre, chapel, laundry and infirmary.

Your Committee strongly recommends that centres of a like nature be erected in all plants which are located some distance from a town or city. It realizes that the same necessity does not arise for these facilities in plants located in a city. At the DeSalaberry Plant there are many hundred employees, 475 of whom live in camp residences. The 250 houses built by Wartime Housing are all occupied. The remaining workers are conveyed from the area surrounding Valleyfield by bus service. At the Brownsburg plant, no such service appears to exist. In fact, many employees here, both male and female, are conveyed to and from their homes in motor cars. Many of them travel in large numbers in one car. Immediate consideration should be given to the establishment at the Brownsburg Plant of the same transportation facilities as exist at the DeSalaberry works.

Your Committee gave consideration to the protection which should be given to Government and other plants manufacturing war material and it listened with keen interest to the impressions given by the Director General of Chemicals and Explosives of the consequences in Great Britain of enemy air raids.

The sum total of destruction from air raids is enormous. Where concentrated bombing has taken place, complete devastation of the area has resulted. At the same time there is widespread damage over a much larger field. The effect on production within the area is very great, even if production facilities are not hit, due to loss of dwellings and general dislocation. Recently, a new type of incendiary bomb has been reported, containing half a pound of T.N.T. This is detonated by a delayed action fuse. As the war goes on, air raids will get worse as bombing becomes more effective, due to larger bombs and new types of incendiary devices. The devastating effects of the large 4,000 pound bombs now being manufactured must be great and, obviously, the use of such bombs must be anticipated.

Certain conclusions from this evidence seem to your Committee to be manifest.

1. This is a war of extermination with air warfare centred on civilian populations. Canada is not immune from aerial and submarine attack by the

enemy. Attacks of this nature may be expected here and constant consideration should be given by the departments charged with the responsibility for the provision of adequate protection to vital production plants.

2. North America has now become a great supply source for Allied nations in this struggle against the Axis powers with Great Britain an outpost which must be maintained and defended.

Having regard to these conclusions, it is apparent that too many precautions cannot be taken to safeguard all Government controlled and other plants manufacturing war material. Your Committee is of the opinion that, in order to protect our plants adequately, regard must be had to the following:

1. Fire, tempest and lightning.
2. Theft.
3. Carelessness.
4. Sabotage.
5. Attack by enemy.

Canada has, thus far, been very fortunate, inasmuch as few disasters have occurred through any of the above. There is, however, a certain danger in this sense that one might be tempted to assume an attitude of "It can't happen here".

With reference to the first three heads, the damage resulting therefrom has been negligible and at the plants visited by your Committee the methods adopted to cope with these hazards seem adequate.

Realizing that sabotage is always more likely to be internal than external, your Committee approves of the methods adopted to cope with this form of enemy tactics and recommends that they be carefully followed.

Your Committee pays tribute to the work of the Royal Canadian Mounted Police in this respect and cannot come to any other conclusion but that the lack of damage from this head is due to their close scrutiny and careful supervision.

Your Committee recommends that immediate consideration be given to the protection of plants from air attack. It realizes that for a time there was a shortage of anti-aircraft devices due to the necessity of sending them to the more vulnerable fronts of the Allied Nations. The present position is better than ever it was, but your Committee feels that greater protection should be given to certain material war industries in strategic locations.

Your Committee further feels that smoke screen generators are an effective protection from air attack and recommends that they be installed where deemed necessary.

Your Committee wishes to recognize the work of the universities of this country in training young technicians whose contribution in the fields of research, engineering and production has greatly impressed the members of your Committee.

Your Committee realizes the tremendous development played by chemical engineering in the modern life of the community. It recommends that consideration be given to the post-war use and disposal of these plants.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

NINTH REPORT

27th JANUARY, 1943.

The Special Committee on War Expenditures has received from its Sub-Committee No. 2 the following report on "Conservation and Salvage" which it has considered and adopted as its Ninth Report to the House:—

THIRD REPORT OF SUB-COMMITTEE No. 2

This Sub-Committee resumed its sittings on September 29, 1942, and continued its enquiry into the Conservation and Salvage operations connected with the country's war effort.

Thirty-nine meetings were held and forty-three witnesses were heard.

The Sub-Committee begs leave to present the following as its Third Report.

All of which is respectfully submitted.

J. H. SISSONS,

Chairman of Sub-Committee No. 2.

CONSERVATION AND SALVAGE

The Committee has become more and more impressed with the subject matter of this enquiry. It is convinced that generally speaking Canada has failed to appreciate what is included in conservation and salvage. To a great many people it is confined to the collection of scrap and, while the Committee is fully aware of what an important matter this is both in the saving of materials and the moneys realized therefrom, it points out that this is only a small phase of an over-all wise conservation and salvage program.

Broadly speaking, it means the elimination of waste in our national and individual economy for the purpose of conserving material, time, labour and money. It can be divided into three large sections, (1) Wartime Conservation and Salvage, (2) Postwar Conservation and Salvage, and (3) Peacetime Conservation and Salvage.

WARTIME

Conservation and Salvage in wartime should have in mind:

- (1) Greater care in the use and operation of all existing plants and equipment with a view to prolonging the life of these;
- (2) The repair of used equipment and the greater utilization of used materials to relieve the demand for new, essential materials;
- (3) Salvage and proper disposal of material scrap, certain items of which are essential to war production;
- (4) Constant endeavour to effect conservation by cutting down non-essentials through simplification, making war materials go further by revising specifications and eliminating the use of scarce materials by substitutions.

The Progress Report of the Army Salvage and Disposal Board for the year ending July 31, 1942, has this to say:

"The customary criterion of successful salvage is the money saved. Money now has become second in degree of importance; material is first and foremost. It is now, and will be more so as time goes on, more important to recover and conserve material and labour than to reduce expenditures. Although these facts are true, the conservation and salvage measures which the Board has put into effect during the twelve months of its work are all worthwhile from a business point of view."

The Committee considers this to be a sound and proper approach.

The primary importance of material is obvious. Many sources of raw supply have been lost. Difficulties in shipping hamper the transport of other commodities. Shortages of manpower restrict the manufacture of new goods.

The Report of the Army Salvage and Disposal Board shows a net saving of nearly \$3,000,000 in addition to the gain from the steps taken to prevent waste of Army stores which cannot be valued in terms of money. An impressive story is told by the Report of conversion of obsolete stores to articles capable of further use; to the application of efficient modern factory methods to the repair of boots estimated to reach one million pairs per year; of the mending of clothing and the recommendation of changes of construction and design which will yield longer service from military clothing and equipment. The Board expresses the concept it has of its duties in these words:

"It is being recognized by the British, by the United States Army and, to some extent, in Canada, that salvage and recovery, such as are being developed by the Board, are not a matter of delousing clothing or of gathering up old paper and iron, but rather, a highly specialized service without which modern armies cannot adequately be supplied, and without which no nation can bear the cost of war."

POSTWAR

Postwar conservation and salvage will obviously be affected by the degree with which we properly conserve and salvage in our war effort. It is clear, however, that regardless of this, Canada will be confronted with a tremendous problem when hostilities cease. One has only to recall the aftermath of the last war and the problem presented in the disposal of government equipment and material by "fire sale method" to realize the magnitude of the problem with which this country will be confronted after this war.

Canada is spending billions of dollars in plant equipment, ammunition, armaments, ships and goods and commodities used in our war effort. Very great quantities of these of every description will be in the hands of the government at the cessation of hostilities. Plants now used for war production including the machine tools used, will, to some extent at least, not be required after the war. The proper use of such plants and equipment should be receiving the constant consideration of some governmental agency charged with this specific duty.

As an example, an immense amount of motorized equipment such as automobiles, trucks, etc., will have to be dealt with in a wise and economic manner, not only to secure for the nation as much value out of these as possible, but much more important, to fit these into the postwar economy so as to do the most good.

The United Nations will in their own interest be vitally concerned with the reconstruction of the war devastated world. Such surpluses of material may under a wise policy be of great use for this purpose.

The Committee feels that there is at present no agency considering this over-all picture of wartime and postwar conservation and salvage, and is convinced that such an agency should be set up, or the duty specifically assigned to some existing agency. The factual and technical information gained during the wartime period should be of great value in taking care of the postwar problem. In addition, it is from the individuals engaged in wartime salvage that may come the technicians and personnel best fitted to handle salvage in the postwar period.

Is an inventory kept? If so, does it indicate the present location of each item of material? How much is "consumed" and how much on hand?

What possibilities are there of making constructive use of any remainder? In Canada, or as an instrument of world rehabilitation? Where and with what effect will these accumulations fit into our postwar economy?

The above suggests some of the questions which will arise and some government agency should be in a position to give well informed and reasonably speedy answers to these.

PEACETIME

The importance of salvage and conservation will not end with the war or with the disposal of all the surplus of war materials in the postwar period.

Salvage was before the war a hundred million dollar business in Canada and was capable of great extension. It will undoubtedly be greatly extended after the war.

Conservation will play an even more important role.

Canada has been extremely wasteful of her resources and the war has brought home to most Canadians how extremely costly this waste has been.

Inability to secure articles, shortages of goods hitherto taken for granted, controls through priorities and rationing, necessity of using again articles customarily discarded, the various salvage and conservation campaigns—are teaching Canadians a needed lesson.

The people of Canada will be ready for, and will expect, a well-considered policy for the conservation of their resources and this Committee suggests that immediate study should be given to this question.

PREVIOUS REPORT

In its report of July 18, 1942, the Committee reported on its enquiry into the operations of the following salvage agencies:

1. Salvage Officer of Comptroller of Treasury,
2. Army Salvage and Disposal Board under Master-General of Ordnance,
3. Army Supply and Transport Directorate under Quartermaster-General,
4. Air Member for Supply, R.C.A.F.,
5. Director of Naval Stores,
6. Scrap Disposal Branch of Munitions and Supply,
7. Steel Controller, of Department of Munitions and Supply,
8. Wartime Salvage Limited,
9. Wartime Prices and Trade Board and Administrators,
10. Fairmont Company Limited,
11. Salvage Division of Department of National War Services,
12. Scrap Dealers.

The Salvage Office of the Comptroller of the Treasury was established some years ago to receive lists of salvable goods from departments of government and to transfer these goods to other departments which could make use of the materials or to dispose of them by sale.

The salvage agencies in the Army, Air Force and Navy repair articles, convert where possible obsolete and other unusable stores into articles capable of being used by any Branch of the Services, make transfers to other services or to government departments, and dispose of the balance by sale. The activities of these agencies cover a wide range within the Services and efforts are made to prevent waste and to effect the maximum of salvage.

The Scrap Disposal Branch of Munitions and Supply controls the scrap from Government-owned and Government-financed companies.

The Steel Controller and the Metals Controller exercise various powers enabling them to secure scrap metal, regulate the movement of it and direct it to the consumers.

Wartime Salvage Limited is a Crown Company set up under the Wartime Prices and Trade Board with general power to deal in waste or used matter and goods, wares and merchandise of all kinds.

There are various administrators of the Wartime Prices and Trade Board, such as Used Goods Administrator, Waste Paper Administrator, Oils and Fats Administrator, Wool Administrator, who work in their specific spheres in encouraging and regulating the salvage and flow of particular articles.

The Fairmont Company Limited is a Crown Company incorporated by the Department of Munitions and Supply, which is the sole purchasing agency for scrap rubber.

The Committee in its earlier enquiry studied the operations of these various salvage agencies and also enquired into the Salvage Division of the Department of National War Services and also the position of the Scrap Dealers.

Other Conservation and Salvage Relations

The field of conservation and salvage is by no means limited to the specific agencies to which the Committee has given more particular study.

There are controllers, administrators and directors interested in many particular products. In some cases these are entirely second-hand products. In other cases they are new products which are being controlled, administered or directed. Those dealing with new products have, or should have, the same interest in conservation and salvage as there must of necessity be a close relationship between the new and second-hand products.

The Supplies Controller, the Construction Controller, the controllers over different phases of war production, those in charge of Industrial Planning and Production Planning, the Cost Accounting Officers of the Treasury, are some of the others who have a real interest in the conservation of materials and man-power.

Considerable has been done in Canada's war plants to conserve materials and man-power through the finding of satisfactory substitutes for critical materials, by enabling workers to produce more by new or improved methods, and by getting more production per machine by short cuts in operations. The following may be cited as an instance of this conservation: The changing of the old brass machined design to a zinc die casting machined design of the body, magazine, cap and striker pin for No. 119, mark 1, percussion fuse has meant the substitution of 12,510,000 lbs. of zinc for 43,605,600 lbs. of brass, the saving of 427,800 lbs. of bar steel annually and the saving of 996,780 standard hours of labour at peak production and releasing 18 machine tools. The estimated net annual saving on this item alone is \$5,698,390.

Salvage Division of Department of National War Services

The Committee during its present enquiry has studied more particularly the operations of the Salvage Division, the work of the voluntary salvage organizations and the services of the scrap dealers.

The Ottawa Staff of the Salvage Division consists of the following:—

Director
Executive Assistant Director
Industrial Organizer
Assistant to Director
Administrative Secretary
General Office Staff, 8

There is the following provincial organization:—

Nova Scotia—1 organizer
New Brunswick—1 organizer
Prince Edward Island—1 (part-time) organizer
Quebec—2 (proposed 1 Provincial Supervisor and 4 field men)
Ontario—1 Provincial Organizer and 3 field men
Manitoba }
Saskatchewan } 1 Provincial Organizer and 4 field men
Alberta }
British Columbia } 1 Provincial Organizer and 3 field men

The Division has supervision over the voluntary salvage organizations which are required to be registered with and report to the Division. There are some 1,752 registered salvage committees, 69% of which have reported, and in addition, some 2,000 other organizations such as branches of Red Cross, Salvation Army, Canadian Legion, Knights of Columbus, etc., which do some voluntary salvage work.

The work of the Division is promotional. It carries on advertising and other educational campaigns to arouse the public to the importance of salvage materials, and engages in organization work to bring out the salvage commodities which it is instructed are required for the war effort.

Form of Organization of Voluntary Committees.

The Committee examined the types of voluntary salvage organizations operating in various communities in different parts of the country.

There is a considerable lack of uniformity in the form of organization and in the methods employed. This is not surprising and is not necessarily a weakness. Sectional and local differences must be considered and taken into account and that form of organization used which is best adapted to the community.

Success is largely dependent upon the organizing ability of the leaders in the voluntary committees and the enthusiasm of the workers. These essentials cannot be secured simply by setting up any particular type of organization.

Nevertheless, with those essentials present, a good form of organization will enable greater success to be achieved.

The Committee heard evidence concerning what are known as "The Citizens Committee Plan" and "The Block Plan for Volunteer Organization" and is of the opinion that these plans merit study by interested communities. The Block plan envisions a general Citizen Committee co-ordinating all local war auxiliary services with sub-committees, one of which is the Salvage Committee. Other committees relate to various auxiliary war services and proceeds from salvage are used to finance these services. The plans are primarily intended for an urban community, which for the purpose is divided into zones, sectors and blocks each with its leader.

To date some 60 communities across Canada have been organized on this basis and have found it an effective form of organization.

In many cases municipal authorities lend their aid to salvage work. The Committee is of the opinion that municipal governing bodies, urban and rural, are a permanent and local base around which salvage and war services campaigns should function. Their close contact with individuals in the community and their permanence of organization appear to make them particularly suitable for this purpose. The municipal body need not necessarily perform the salvage work itself but should assume the responsibility for the proper organization of such activities. Further, the active assumption of this responsibility in wartime would fit these bodies to be valuable agencies in postwar and peacetime salvage and conservation. The Committee, therefore, recommends that this suggestion be given careful consideration.

VOLUNTARY SALVAGE COMMITTEES

This Committee has had before it representatives of various salvage committees.

The activities of these committees have related to commodities which they have been encouraged to salvage, such as scrap metal, rubber, waste paper, rags, fats, greases and bones, glass.

Scrap Metal

Scrap metal is a vital essential to war production and is the most important item of salvage.

Modern war requires huge quantities of steel. Each individual soldier to-day requires an average 4,900 pounds of steel in the form of carried or supporting equipment. In the last war he needed only 90 pounds.

In the production of steel both pig iron and scrap steel are used. It takes about two tons of ore to produce one ton of iron. In open-hearth steel furnaces, one ton of scrap steel is used for each ton of pig iron. Usually 65% scrap is used in foundry furnaces to make castings. In electric furnaces 100% scrap is used.

The big problem in connection with scrap metal is getting it from the uneconomic areas to the consuming mills.

Wartime Salvage Limited some months ago arranged to purchase scrap metal through the elevators from the farmers in Western Canada at a price of \$7.00 per ton at the point of shipment. This arrangement has worked out satisfactorily and has brought in large quantities of scrap.

Recently arrangements were made to make use of the county wardens and the municipal councils and school districts in Ontario as the agency through which Wartime Salvage Limited would purchase scrap on behalf of the Steel Controller.

It is intended to make somewhat similar arrangements in the Province of Quebec and the Maritimes. Wartime Salvage Limited also operates through other arrangements in the Province of British Columbia and in Northern Ontario.

It also purchases direct from the dealers.

Some sources of scrap metal are still largely untouched, such as wrecked ships, rails of street railway systems no longer operating, ornamental fences, abandoned mill or mine equipment in remote areas. In some cases, it would not be possible to salvage this material without a larger subsidy than appears warranted while more readily accessible scrap is still available. These sources may be considered a reserve to be called upon as required.

Another remaining source of scrap metal is city dumps. It has been suggested that these should be dynamited to secure the buried scrap, particularly automobile bodies. Evidence was given that some dumps are being dynamited

as an experiment. There may be difficulties in the way, including the question as to whether the procedure might be dangerous from a health point of view. There is the uncertainty as to what the cost or the results in materials would be.

The Committee was informed of the situation existing on the Pacific Coast where there are undeveloped iron ore deposits, considerable quantities of scrap being shipped to the East, and steel plates being shipped from the East to supply a relatively large shipbuilding industry. It was argued before the Committee that the ore should be developed and a steel mill established, or that there should at least be facilities to process the available scrap. Against this view there were arguments advanced that such a project was not warranted at this time. The Committee was not in a position to examine all the factors involved.

Tin Cans

The salvage of tin cans, either for the tin content amounting to approximately one per cent or the steel content, has been a much discussed question by the public and government agencies.

The Committee attempted to explore the matter exhaustively as possible.

Approximately 300,000 tons of steel are consumed annually in the manufacture of tin cans in Canada.

When the tins have gone through an incinerator and the tin burned off, the steel can be used in steel furnaces when suitably baled but this does not make a good charge and the mills are reluctant to accept it. It will be noted that the tin content is lost in this process. Where incinerators are available local salvage committees should explore the possibility of reclamation of steel scrap from tin cans. The quantity available, transportation costs and proximity to a market should be taken into consideration.

The tin content, however, is the most urgently needed at the present in our war effort and the Committee therefore considered the problem from this point of view.

The problem is complicated by the fact that conservation measures are being taken to decrease the production of tin cans and to eliminate the use of these wherever possible. In addition, electroplating the steel plate with tin is reducing the amount of tin required to .5 per cent or less thus further decreasing the future reclamation value.

There are at present no detinning plants in Canada. However, a small experimental one has been set up and a close study is to be made of the results.

The United States is increasing its detinning plants by erecting four or five new ones at strategic points. These points are in the densely populated areas of the U.S., and where there would be a sufficiently large accumulation of tin cans to supply a plant economically. Canada has no comparative areas in density of population although Montreal and Toronto districts would be the nearest approach.

The expert opinion offered to the Committee was that at present it would be uneconomic and unjustifiable to erect detinning plants in Canada. The alternative suggestion is that in Canadian districts of great density of population it might be possible to collect the tin cans for shipment to the nearest U. S. detinning plant. Further study should be given to this suggestion.

It is quite apparent that the salvage of tin cans must be determined by the degree of urgency of need of (1) tin and (2) scrap steel.

Further surveys and analysis of the allied and particularly the North American situation with regard to these metals should be made so that the degree of urgency could be realistically determined.

Rubber

Fairmont Limited, a crown company, is the exclusive purchaser of scrap rubber.

Intensive campaigns have been put on to assist in the salvaging of this vital commodity and have met with a satisfactory measure of success. The Post Office Department has made use of its mail carriers in the Provinces of Ontario and Quebec to collect rubber and this brought very creditable results.

The Committee in its previous report dealt rather fully with the salvaging of scrap rubber and has nothing further to add at this time.

Waste Paper

Canada, before the war, was an importer from the United States of waste paper, although there were some exports from Canadian points some distance from consuming areas where paper board or paper mills were located in Canada.

In the fall of 1941 the Canadian demand for waste paper was extremely high and steps were taken to make Canada self-supporting in this regard.

A difficulty was that the mills could import more economically than they could extend the areas from which they received waste paper.

Wartime Salvage Limited was incorporated and served as a purchaser of waste paper and divided the costs of its operations, including freight charges, among the mills to whom the waste paper was delivered.

A campaign was put on by the Salvage Division encouraging the collection of waste paper.

It was not possible from an economic standpoint to bring waste paper from Western Canada to the East, and that paper was not being purchased by Wartime Salvage Limited but, outside of the Winnipeg and Vancouver areas where there were mills, was being exported to the United States.

A waste paper salvage campaign was also put on in the United States. In both countries the response was such that the markets were temporarily swamped. The United States shut off imports from Western Canada.

The Salvage Division was obliged to advise the people in Western Canada not to collect waste paper except in the areas where outlets existed.

Wartime Salvage Limited took over considerable quantities of waste paper which had been collected by western salvage committees and the paper mills underwrote the loss.

It appears that the result of the notice to discontinue the salvaging of waste paper, except where a local outlet existed, was not only to dry up the flow from the uneconomic areas but to impede it in some areas where there was an outlet. The Committee feels that this harmful result could have been avoided if the notice sent out had designated those areas where a local outlet existed and where the salvaging of waste paper or particular grades of waste paper should be continued.

The sorting of waste paper is a very technical business. There were formerly over 100 different grades of waste paper and with drastic reductions made there are still 59 grades. Almost 80 per cent of the collections from voluntary organizations was of newspaper, which does not make satisfactory board or roofing or paper.

There appears to be a demand for the better grades of paper properly sorted.

The sorting of waste paper stock is an exceedingly important function. On the sorting depends the ability of the mill to obtain maximum production or to revert to a minimum output. It is a technical job and inefficient sorting and grading can prove very costly. For instance, very little asphalt paper or board

in a bale may ruin five or six tons of board. Mixed waste paper may bring from \$6 to \$10 per ton. Properly sorted, the higher grades of paper in the mixed lot would bring from \$25 to \$40 a ton, or even more.

Greater use might be made of waste paper replacing chemical pulp, thus saving the raw material and manpower required to produce that pulp. Against this is the factor of electric power—the pulp mills are located, for the most part, in areas which are not short of electric power, while the paper and board mill are located in areas which are short. However, there is the other factor of conservation of metal, particularly tin, in packaging. The logical substitute may be paper board. There is under the Wartime Prices and Trade Board a committee on packaging investigating the whole question of packages, whether of tin, glass or paper, with the dual purpose in mind of replacing tin and at the same time making the most effective use of available substitute material. Restrictions are also being put into effect on the use of luxury packages.

The Committee recommends that research work and experiments should be carried on to find additional uses for waste paper.

Rags

Mixed household rags are divided approximately as follows:—

	Per cent
Roofing rags	60
Wiping rags	15
Cotton rags suitable for making of paper	5
Woollen rags	20

Roofing rags have a reasonably ready sale although some difficulty has arisen through the cutting down of the asphalt requirements of the roofing manufacturing concerns.

Wiping rags are badly needed as Canada still has to import possibly 50 per cent of her requirements.

There is a ready market for cotton rags suitable for the manufacture of paper.

That part of woollen rags which is shown as knitted rags, sweaters and knitted underwear, is needed very badly because it is required for military blankets and the freize and overcoating for the Services. There is difficulty in disposing of old overcoating rags which constitute about possibly 40 per cent of the 20 per cent, or about 8 per cent of the whole of household rags. This formerly went into the making of felts and civilian overcoats and these looms and cards are now devoted to war requirements.

Certain suggestions were made to the Committee that appear to have value. Owing to the shortage of wool, export licences are required before any wool can be exported. There are certain higher priced types of fine woollen rags and new clips which find no ready market in Canada, and the price therefore is much below that which can be obtained in the United States. Included in these are fine graded merino clips, fine felt wastes, certain types of paper makers' felts, fine botany knitted stock, both in solid and assorted colours, certain types of noils.

This type of stock is of little or no value in the Canadian war production program. It would appear, therefore, that the sensible course to follow would be to permit these to be exported to the United States and thus secure United States values in desirable United States currency.

It was further pointed out to the Committee that Canadian plants are inclined in normal times to use the best base material whereas war needs have indicated that inferior grades can be profitably and suitably used. The

plants show reluctance to experiment. An example is the use of shoddy wool where it has been found that by proper handling the shoddy can be made just as serviceable as the better and higher priced materials. The Committee recommends, therefore, that Canadian plants be urged to explore the possibility of making use of all available grades of scarce commodities. The Committee further recommends that a survey of our relationship with the United States be made to see if there are barriers to the export of any other commodities which are not required in Canada and which could be profitably exported to our Ally, the United States, and conversely as to the possible export of commodities from United States to Canada. This again illustrates the importance of close co-operation between Canada and the United States in co-ordinating for the purpose of the war effort the economies of the two countries.

Oils, Greases, Fats and Bones

Oils, greases, fats and bones are urgently needed.

The war in the Pacific has cut off the main sources of supply of vegetable fats and substitution must be effected to replace this loss in normal supply.

Fats are required to make glycerine required for explosives. Bones are also required for war industries, particularly for the making of glue.

Canada requires 35,000,000 pounds of fat a year.

A Fats and Bones Canada-Wide Salvage Campaign was put on, commencing December 1, 1942, by the Oils and Fats Administrator and the Salvage Division of the Department of National War Services.

The Canadian meat dealers, as a contribution to the war effort, have undertaken to accept salvaged fats and bones at their stores and see that they are forwarded to the renderers and meat packers.

The customer is paid $4\frac{1}{2}$ cents per pound in Ontario and 4 cents per pound elsewhere for rendered drippings and 1 cent per pound for household scrap fat. The meat dealer is paid 1 cent per pound for his services. The householder may, of course, donate the fats and bones to the local Salvage Committee. Salvage Committees may ship direct to renderers and meat packers and receive the same price as paid meat dealers.

There is no payment to the customer for bones because the money value is negligible although they are extremely important to the war effort. The meat dealer or Salvage Committee is paid 25 cents per 100 pounds for either cooked or green bones.

Customers are asked to bring their rendered drippings in widemouthed tin containers—never in glass or paper. Cooked bones and green bones are required to be brought in separate cartons.

It is suggested that the householder should keep the drippings in refrigerator or a cool, dark place until at least one pound is collected.

The arrangement now in effect in Canada is similar to that in operation in the United States.

The Committee had some evidence before it indicating that salvage organizations had found difficulty in securing a market for fats and bones. This was before the present arrangement was made for disposal through the meat dealers. The plan is still in its initial stage and it is too early to express any conclusions as to its success.

Glass

Glass is salvaged for the most part in the form of bottles.

Bottles were previously not handled to any great extent as a second-hand article owing to the facts that the raw material was readily available and the manufacture was a cheap and simple matter. Dealers were only in

the larger centres and for the most part were small and not equipped to efficiently sort and wash the bottles. The facilities were not available to largely increase the handling.

Certain types of bottles find a ready market at prices even higher than that of new bottles, but a certain difficulty still exists owing to the labour required to sort and wash them.

Cullet, or broken glass, has a ready market as an ingredient in the manufacture of new bottles.

Bottles have not been considered as an important item of salvage. Care is being taken, however, not to discourage altogether the collection of bottles. This might have a deterrent effect on other vital salvage activities. Moreover, bottles may move into a more important position through the need to conserve labour used in the manufacture of new bottles and also the possible use of bottles as containers in place of tin cans.

Salvage of Waste Oil

The Committee investigated the salvage of used lubricating oil available from the Armed Services, having in mind the public interest as to whether such oil is being conserved to the maximum extent.

It is a popular misconception that the consumption of lubricating oil by the Armed Services represents a very high proportion of the total lubricating oil used throughout Canada, whereas, in fact, it has been established that the consumption is less than 10 per cent of the total.

Owing to the nature of the high speed and heavy duty equipment used in present day war training, the amount of oil burned up in operative use has necessarily increased, leaving only a small percentage of the total available for salvage. The Committee was advised that improvements in operating methods and equipment, together with improvements in the oil itself, still further reduce the percentage of waste oil.

The report, which this Committee submitted to Parliament in 1941, referred to an arrangement under which the Air Force was prepared to turn over to the Army waste oil to be reclaimed and used in Army vehicles.

It was disclosed to the Committee at the present enquiry that in the interests of oil conservation both the Air Force and the Army, in collaboration with the National Research Council, have carried out extensive investigations and tests over many months in order to determine how this waste oil could be best utilized. As a result of these investigations, it has been established that before this oil can be safely re-used, it is necessary that it be completely re-refined in a plant properly equipped and with full laboratory inspection and control. The evidence showed that all waste oil is being offered through the proper channels for sale to the refineries and civilian contractors on a competitive basis.

The Committee in its 1941 report urged that every possible care should be taken to ensure the safety of the personnel of our Armed Services and the maintenance of the very costly equipment placed in their charge, and that these should not be endangered by the use of oil of uncertain qualities. The Committee is still very strongly of this opinion and considers that every precaution should be taken to prevent this happening and that, therefore, what is ordinarily called reclaimed oil should not be used in the Services, particularly in view of the fact that a civilian use can be found for this commodity.

The Committee is of the opinion that the whole matter of salvaging waste oil is in essence a national problem instead of one restricted to the Armed Services, and that the whole problem should be given further detailed study from that angle.

Scrap Dealers

There appears to exist a rather widespread feeling against scrap dealers. The Committee is of the opinion that this is a prejudice or misunderstanding and that five reasons can be given for it.

1. Lack of appreciation on the part of the public of the importance of the scrap business as an economical part of our salvage setup.
2. An assumption that it is not necessary to have our salvage scrap go through the scrap dealers.
3. A suggestion of undue profit by the scrap dealers.
4. The allegation that scrap dealers are grasping and unfair in their practices and are seeking to make an exorbitant profit out of the patriotism of the public towards the war effort.
5. That the scrap business is generally in the hands of people of the Jewish race.

The Committee is convinced that the scrap dealers with their plants, equipment, personnel and experience do play an important and essential part in the preparation and sorting of scrap for disposal to the mills or other consumers. This sorting and preparation is often a matter requiring very considerable skill, experience and specialized knowledge. The returns from such scrap are greatly increased by the proper sorting, grading and preparation.

The need for sorting is obvious. For example, there are many different grades of iron and steel scrap alone and each is used for a different purpose. The mills require scrap cut or broken to charging box or cupola size and the sizes of the charging boxes vary with the different mills.

The scrap dealer, to fully and efficiently prepare the scrap, must have huge shears to cut the steel, oxy-acetylene torches to burn through it, baling presses to compress light steel, electric magnets for handling materials and enclosed drops where iron can be broken.

It is necessary and profitable in many cases for scrap to be sorted and prepared and in such cases the logical course of such scrap is through the hands of the scrap dealers. In cases where sorting and preparing is not required, shipments can be, and quite often are, made direct to the consumers. The Scrap Disposal Branch of the Department of Munitions and Supply often ships direct where they are handling particular scrap not requiring sorting or preparing. This is also done by Fairmont Limited and is the method followed also in the matter of collapsible metal tubes. However, even in some cases where the sorting and preparing can be done by others than scrap dealers, the mills prefer to deal through established dealers, and sometimes make their purchases through a sole dealer.

The prices of essential war scrap and the profits which the dealers can make are controlled and their operations are under close supervision.

It may be interesting to note the effect which the controls have had on scrap metals during this war, as compared with the last war. The following figures will afford this comparison:

	1915	1917	1918	1942
Electrolytic copper per 100 lbs....	....	\$38 62	....	\$11 55
Prime Western zinc per 100 lbs....	\$27 50	....	....	5 15
Pig lead per 100 lbs.....	....	14 62	....	5 00
No. 1 Heavy melting steel per gross ton.....	....	....	\$29 50	18 00

The scrap dealers appear to be sincerely desirous of making a real contribution towards the war effort and to merit the confidence of the public.

Evidence submitted to the Committee shows that some Jewish dealers at least clearly recognize that their race has most at stake in this war and are looking upon their salvage operations as a contribution to the war effort.

A suggestion was also made to the Committee by the Secondary Dealers' Association that the books of the scrap dealers and their operations should be audited and inspected by the Government in order to assure the public that undue profits were not being made.

Some misunderstanding and criticism occasionally arises where a scrap dealer receives an article as scrap and then resells it, after repairing, as a second-hand article for further use. The Committee feels that it is not true conservation to convert to scrap any article which can be put to further proper use and can save the materials and labour required to make a new article and is, therefore, unable to criticize this practice. However, the Committee does feel that a method should be found whereby the scrap dealer would give a strict accounting of any profit made on such transactions.

The Committee feels that more publicity should be given as to the part played by scrap dealers and also as to what is involved in proper sorting of scrap of various kinds.

Scrap Piles

The presence of piles of scrap in dealers' yards, on railway sidings or in the possession of voluntary salvage organizations often causes critical or discouraging comment.

It is advisable, of course, that scrap should be moved as expeditiously as possible to the point of consumption in order to avoid any feeling that it was a wasted effort on the part of the public to collect such scrap.

However, what is mainly required is the education of the public to appreciate that these scrap piles are the country's reserve to be drawn upon as required, and that the growth of these piles is not something to be afraid of or discouraged by, but something to be exceedingly encouraged by and viewed with pride and satisfaction.

It was suggested that signs should be placed on piles indicating that these were all a part of Canada's scrap reserve. Such signs as "Stock Pile for Victory" are in use in the United States. Publicity might also be given in other ways to impress upon the public the true nature of these scrap piles.

SALVAGE AND CONSERVATION IN UNITED KINGDOM

Salvage of material in the United Kingdom has long been an organized industry. Since the First Great War the recovery of salvable material has been under the direct supervision of local authorities. Since early in the present war, branches of the Ministry of Supply have been organized under the names of Economy, Salvage and Recovery, and Disposal branches. The functions of these branches are as follows:—

- (a) Economy branch..... Prevention of Waste
- (b) Salvage and Recovery branch..... Rescue from Waste
- (c) Disposal branch..... Disposal to best advantage

The functions of the Economy branch fall under three heads:—

- (1) Economy in use.
- (2) Economy in manufacture.
- (3) Substitutions.

Of these three branches, that dealing with Salvage and Recovery was of most interest to the Sub-committee. The functions of the branch can be classified under the following heads:—

- (a) Organization for the recovery of materials of which the nation is short—
or is likely to be short;
- (b) Recovery of many kinds of domestic waste;
- (c) Salvage of industrial by-products and waste;
- (d) Salvage from the Armed Services;
- (e) Recovery and utilization of kitchen waste.

Under the British Plan, four principal steps in the recovery of materials are undertaken:—

- (1) Organization for discovery and assembly.
- (2) The preparation of material for transportation.
- (3) The problem of transportation.
- (4) Arrangements for delivery and utilization.

The Ministry of Works and Buildings acts as agent for the Ministry of Supply and provides the necessary labour to sort and make materials available for transportation to points where they can be utilized.

In Great Britain the Ministry of Works and Buildings, which corresponds to some extent to our Ministry of Public Works, has already in existence a complete Regional organization with executive control thus they are best able to engage labour most suitable for the work involved, and they are armed with authority through which they may requisition necessary premises.

The transport of material is arranged for by the Transportation Branch of the Ministry of Supply. Delivery instructions are given by the appropriate Control or by the Ministry of Works and Buildings. In certain cases the Ministry establishes storage dumps for material collected and awaiting utilization.

All local authorities with a population of over 10,000, or in the case of urban districts, over 5,000, are compelled to provide a regular and efficient service for the collection of waste paper, metal, bones and rags. They must make monthly returns as to collections and disposals.

Voluntary helpers have been enlisted to assist in the connection of salvable material; they are known as "Salvage Stewards."

Local merchants are compelled to save material of all kinds and their representatives meet regularly to assist the local authority.

Voluntary organizations of all kinds including the schools and Scouts are actively engaged in salvage projects.

Concentrators for the handling of household waste have been established and local authorities in their vicinity have been placed under compulsion to collect all kitchen waste and deliver it to the concentrator.

Industrial salvage is on a strict compulsory basis under the direction of the Ministry.

All usable material is carefully recovered and renovated in substitution for new material.

A National Stock List is prepared monthly listing salvaged material for use and sale. In addition, surplus general stores of new and reclaimed nuts, bolts, etc., are disposed of through an Exchange and Market Scheme. These are sold to contractors through Local Central Salvage Offices.

From the above it will be seen that the British Plan is a highly organized national and public enterprise suitable for a thickly populated country where salvage has always been an important industry. It has many features which the Committee recommends should be studied carefully in Canada.

SALVAGE AND CONSERVATION IN UNITED STATES

In the course of its enquiry the Committee had the liaison officer between the Canadian Government and the Conservation Division of the War Production Board of the United States appear before it to submit evidence as to his work and the manner in which the United States is carrying on its salvage and conservation program.

In the United States all such matters have been placed under the War Production Board. One of the subdivisions operating under the direction of the War Production Board is the Industrial Salvage Section, Conservation Division. The Conservation Division reports directly to the head of the War Production Board. It is divided into four sections: Salvage, Conservation and Substitution, Simplification and Specification. The Salvage Section is in turn divided into four sub-sections, to wit: General Salvage, Industrial Salvage, Special Projects and Automobile Graveyard. The Conservation Division has a very substantial field staff located throughout the United States, which for this purpose is divided into regions determined by geographic and economic reasons.

The Conservation and Substitution Section is composed of a group of technical experts on various raw materials used, such as steel, alloying elements, copper, lead, tin, chemicals, plastics, leather, textiles, paper and other like materials.

The Specification Section is also composed of a group of technical men—engineers—who survey a variety of specifications for buildings and materials all with a view to conserving critical materials.

The Simplification Section aims to simplify the design of as many articles as possible with a view to conserving critical materials through lessening of inventory, lowering costs through greater production, through standardization, and the increasing of production through standardization. Examples of the work done in this particular section are shown in plumbing equipment, storage batteries, electric cells, dry cells, baby carriages and a great variety of articles of this nature.

As has been already pointed out, Canada has a liaison officer attached to this Conservation Division of the War Production Board. He is, of course, located in Washington and his duties generally are to keep in touch with every development in the United States tending toward increased conservation and salvage, and to pass this information along to the different salvage agencies in Canada.

It is interesting to note that the Conservation Division of the United States feels that control of civilian production and use is fairly well under way, and that the profitable field remaining in which to produce results is that of the Armed Services, who, of course, are very great users of critical materials. This result is to be achieved by frequent consultations between the appropriate Service heads and the proper officials of the War Production Board. Apparently, the Service heads are aware of the necessity of conservation and are co-operating fully with the civilian government officials.

Great stress is laid on the statistical sections of the War Production Board. It has been found in the United States that a necessary adjunct of any wise conservation policy is the gathering together of the facts with regard to the problem being attacked.

It is interesting to note that the difficulties which presented themselves in the United States are very similar to our own. The salvage of paper, bottles, tin cans and scrap metal, appear to have met the same difficulties with which Canada has been faced. It is noted that the same prejudice against scrap

dealers exists in the United States as in Canada, and also in connection with the community scrap piles resulting from the salvage campaigns. In the United States considerable publicity has been initiated by the Conservation Division to educate the public generally with regard to these matters.

In the matter of the conservation of tin cans, the situation appears to be somewhat different to that in Canada because of the much greater quantities of salvage material, and because the population of the United States in certain areas is sufficiently dense to permit of a program in these areas to save the tin content and the steel scrap as well.

Generally speaking, the Committee notes the greatly expanded administrative setup of the Conservation Division of the War Production Board in the United States and the resultant greater cost of operation. To illustrate this, there are ninety-one senior officials receiving a total annual salary of \$509,000 attached to the Conservation Division, and this has been considerably increased since the date on which this was the case. Canada has made much greater use of voluntary organizations.

The Committee also notes that under the United States setup this particular work is co-ordinated under the War Production Board. This Board will, therefore, during the war be collecting information of great value in dealing with the problem of conservation and salvage in the postwar period.

From the general information received by the Committee, the Committee does not feel itself sufficiently informed to pass judgment on the relative merit of the United States and Canadian organizations charged with the like duty, but recommends that continuous study be made of developments in the United States.

Co-ordination of Canada's Wartime Salvage Agencies

There appears, at least on the surface, a lack of co-ordination or co-ordinating authority in Canada's wartime salvage operations. The very multiplicity of agencies suggests this. The Committee has been unable to ascertain that there is the necessary over-all surveying, studying and planning which the situation would appear to require, although some agencies have done excellent surveying and planning within their respective fields. There is a lack of knowledge on the part of some of the agencies of the work being done by other agencies, and in the case of some agencies, a lack of knowledge that such other agencies even existed. Lack of co-operation is evident in some instances where co-operation would be beneficial. It is quite probable there is some unnecessary duplication of effort. The boundaries of the respective fields of the various agencies are in some cases so indefinite that some overlapping and misunderstanding and friction is almost bound to occur. There is apparently no single agency with authority to take a long range view of postwar salvage and to integrate present salvage activities with the salvage activities which will become necessary at the end of the war.

On the other hand, the picture is neither so black nor so simple as the above might appear to indicate. In the case of the Armed Services, it is a sound principle, accepted by this Committee, that salvage within the Services is a Service matter and must be under Service control until at least an article is found to be of no further use to the Services. The same principle may be applicable to other agencies. The problems which the various agencies have to face are often entirely different and must be solved in different ways. The exigencies of the situation require many agencies and many of the agencies occupy a restricted and very specialized field. With salvage and conservation of necessity entering into almost every aspect of our war effort, and to a continually increasing extent, it is clear that complete co-ordination is difficult. In a field where so much depends on individual enthusiasm, ingenuity and resourcefulness, and where immediate results are often the paramount concern, enforced co-operation and co-ordination might easily prove detrimental rather than helpful. As a matter of fact, there is a considerable measure of co-operation between the agencies and this appears to be developing naturally. Such co-opera-

tion was not possible at the beginning where everything was in a state of flux and where emergency measures had to be taken to deal immediately with urgent situations. The agencies had to mature first before there could be much in the way of co-operation or co-ordination. Some of the troubles that appeared on the surface to be alarming were only growing pains. It is easy to point out and criticize instances of duplication and overlapping, but it is well to remember that the zeal which prompts one agency to encroach somewhat on the field of another may not always be a bad thing and that some duplication may be quite unavoidable without dangerous cramping of activities. It must be acknowledged to their credit that most of the agencies are at least virile and on the whole are doing a good job. Co-operation and co-ordination are only important as means to an end.

In its report of July 18, 1942, the Committee pointed out that co-operation between the wartime salvage agencies and co-ordination of activities were developing naturally and progressively. It was suggested that more could be advantageously done in this connection and recommended that means be found for closer co-operation between the agencies interested in particular problems.

The Committee finds at this time that such co-operation and co-ordination is still further developing.

The Armed Services within the past few weeks have brought about a fuller measure of co-operation and co-ordination by the appointment of an Inter-Service Committee on Boot Repairing and an Inter-Service Committee on Laundering. It would appear reasonable to expect the formation of a similar Inter-Service Committee on the Repair of Clothing. The policy might be possible of extension to cover the entire field of salvage, conversions and conservation within the Services.

There has been further natural development of co-operation and co-ordination between other wartime salvage agencies such as between the various Controllers and Administrators of specific commodities.

The trend should be, and no doubt will be, for more in the way of co-operation and co-ordination of the various wartime salvage agencies and their activities. It is probably true that to be most effective, this must come from the agencies themselves.

However, there are problems that the agencies are not adequately equipped to deal with either by themselves or through co-operation and in which direction must be given by a higher authority. These include the over-all surveying and planning of wartime salvage and conservation in both its national and international aspects; the immense problem of postwar salvage and conversion, and the peacetime program of salvage and conservation.

The Committee considers that in the same way as a war requires a Ministry of Supply, the postwar period will require ministerial direction to handle the salvage and conversion to the purposes of peace of the surplus war materials, plants and equipment which the end of the war will leave on the nation's hands. The plans in this connection should be made now.

It would also appear advisable that there should be ministerial direction to a current study of our entire wartime salvage and conservation operations including over-all surveys of our wartime salvage and conservation needs, and the examination of the possibilities of further co-ordination of the activities of the various wartime salvage and conservation agencies. There should also be thought given to the problems of peacetime salvage and conservation.

The above indicates the necessity of co-ordination in study and direction and the Committee recommends therefore that such task be made the responsibility of one Minister.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

TENTH REPORT

27th January, 1943.

The Special Committee on War Expenditures has received from its Sub-committee No. 1 the following report on "Acquisition of Airport Sites" which it has considered and adopted as its Tenth Report to the House:—

SECOND REPORT OF SUB-COMMITTEE NO. 1

On October 14, 1942, this Sub-committee received a letter from the Minister of Transport, which reads as follows:—

"I beg to direct your attention to the enclosed editorial which appeared in the *Winnipeg Tribune* of September 24, 1942, and which refers to the purchase of an airport site at Gimli, Manitoba, by this Department. Certain other articles on the same subject have appeared in the same and other publications.

In view of the character of the criticism in question, we would be glad if an opportunity might be afforded to the valuers of this Department and, if you consider it advisable, those of the outside company which made an independent valuation, to appear before your Committee to present the facts, and to answer such questions as the Committee may desire to ask in relation to the land purchases referred to."

Last session, Sub-committee No. 1 was appointed on May 5, 1941, by the then Special Committee on War Expenditures, and directed inter alia to inquire into "airport, aerodrome and air force buildings construction, specifications and designs for such projects, and inspection thereof during construction". Reports were duly made by such Sub-committee on June 2, 1941, and August 20, 1941, with respect to a general study which it made in regard to the procedure for the acquiring of airport sites, and on November 3, 1941, these reports were presented in the House as the Fifth and Sixth Reports of the Committee.

Pursuant to the above-noted letter from the Minister of Transport, the Committee has heard evidence of departmental officials and valuers, as well as a statement by Mr. Hugh Phillips, K.C., who appeared before the Committee as solicitor for the *Winnipeg Tribune*, but for the reasons appearing in this report the Sub-committee did not hear evidence of the independent valuator or outside witnesses.

The Committee begs leave to present its report, findings and recommendations with respect to the procedure for the acquiring of airport sites.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman of Sub-committee No. 1.

ACQUISITION OF AIRPORT SITES

1. In regard to the Gimli air field controversy raised by the *Winnipeg Tribune*, their solicitor has indicated that in the opinion of his principals a public inquiry should be held to accurately determine the value of the land acquired at Gimli; that expert witnesses should be called for and against the correctness of the actual purchase price paid for the land, in fact, that nothing short of an inquiry in the nature of a trial in public to determine the actual value of the land purchased would satisfactorily dispose of the matter. The Sub-committee has fully considered the scope of its authority and its reference by parliament. The Canadian War Expenditures Committee is patterned after the British War Expenditures Committee, and while its powers are in part somewhat wider than the powers conferred upon the British War Expenditures Committee, yet in the main its duty is to check Canada's war expenditures for the purpose of ensuring that all proper safeguards are set up in regard to the expenditure of public money. It is not the duty of this Sub-committee to supplant the responsibility either of the Public Accounts Committee or the civil courts. This Sub-committee does not express any opinion as to the need for further inquiry. In the light of the request made by the solicitor for the *Winnipeg Tribune* the Sub-committee believes that such an inquiry, if deemed necessary, could be more satisfactorily made as above indicated.

2. The Sub-committee recalled for examination Mr. J. A. Wilson, Director of Air Services, Department of Transport, and also heard evidence by Mr. Frank Thomas, Acting Right of Way and Lease Agent for the Department of Transport, in the acquisition of air field lands, Mr. J. H. Murphy, Mr. J. C. Kelly, Government Salvage Officer, and Mr. Clifford Johnson, District Right of Way Agent, C.N.R., for the western region including Manitoba.

In view of the charges which have been made that the purchase price paid for land at Gimli was in excess of its actual value, the Sub-committee has again reviewed the system now in operation with respect to the acquisition of land for airport sites and makes the following recommendation as an additional safeguard in the public interest:—

That whenever there is any evidence of the owners of property "ganging up" to demand prices for their lands in excess of the market price or when for any reason an independent valuation is required, then two independent valuers should be chosen instead of the present practice of appointing simply one independent valuator and that wherever possible their appointments should be on recommendation of the local real estate board. It is hoped that appointments of independent valuers made in this way would secure not only the best type of valuers but would result in making available to the valuers the combined experience and advice of experienced realtors in the district when necessary.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

ELEVENTH REPORT

27th JANUARY, 1943.

The Special Committee on War Expenditures has received from its Sub-committee No. 1 the following report on "Aircraft Production and Shipbuilding" which it has considered and adopted as its Eleventh Report to the House:—

THIRD REPORT OF SUB-COMMITTEE No. 1

On September 4, 1942, Sub-committee No. 1 was allotted the following subjects in addition to the subject of Wartime Housing, Limited, already assigned to it:—

- (a) Aircraft Production
- (b) Shipbuilding
- (c) Government-owned Companies.

The Sub-committee has already made a report under date of July 15, 1942, with respect to Wartime Housing, Limited, which report was adopted as the Committee's Fourth Report and presented to the House on July 16, 1942.

Your Sub-committee has since proceeded with its inquiry into the subjects of Aircraft Production and Shipbuilding. In the course of its investigation since the adjournment of the Session, it has held sixty-nine sittings, has heard forty-seven witnesses, and has visited the factories of many aircraft producers in Canada as well as shipbuilding yards.

The Sub-committee begs leave to present its Third Report of findings and recommendations.

All of which is respectfully submitted.

HUGHES CLEAVER,

Chairman, Sub-committee No. 1.

Aircraft Production

During the years 1937 and 1938 small contracts for the construction of war aircraft were awarded to nine small companies organized for the purpose of aircraft production in Canada and as a result at the outbreak of war we had nine plants employing in all approximately 1,000 men and occupying a half a million feet of floor space. These plants at outbreak of war were producing a total of 40 planes annually. At outbreak of war the facilities of all of these plants, their organizations and personnel were available for expansion and in addition other industrial concerns have since entered the field of aircraft production. To-day Canada's aircraft industry employs over 75,000 employees, using a floor space of over five million square feet and produces over 400 planes monthly. In order to achieve this tremendous expansion in capital facilities and production the Government advanced very substantial capital assistance and in most instances little new private capital has been used. Commendation should be expressed with respect to the entire group from the Director of Aircraft production down to the youngest apprentice for the remarkable results which have been achieved.

The policy followed in the awarding of contracts was to give every existing aircraft industry a contract to produce the type of aircraft for which its plant and personnel were deemed to be best suited. The form of contract varies greatly with the type of plane.

As to the original contracts most of these were what has been commonly known as "cost plus." The so-called "cost plus" is a misnomer in regard to these contracts as the contractor does not profit by any increase in cost but simply receives a fixed fee per plane. The Sub-committee has carefully examined all of the contracts entered into with all of the companies for the production of aircraft and while it is the opinion of the Sub-committee that firm price contracts should be made as soon as sufficient production has been achieved in the different types of planes to render this possible yet the type of contract used would appear to be the best form of contract which could be devised in the circumstances. It is not in the public interest that definite price contracts should be negotiated until a proper price can be definitely ascertained by actual experience as any premature attempt to do this would doubtless result in either too high or too low a price being fixed, either of which results would be unsatisfactory. The Department of Munitions and Supply maintains an auditing staff of over 300 accountants who are constantly checking costs and supplying necessary data to the Director of Aircraft production and other government officials.

In visiting the different plants the Sub-committee made careful inquiries with respect to labour conditions to learn as to whether war industries are suffering through men being called up for the armed forces. The Sub-committee found that in some instances production has been seriously interfered with through the loss by industry of trained key men to the armed forces. It was found, however, in this regard that the Regional Boards under the National Resources Mobilization Act are working efficiently and that the difficulty has arisen owing to the fact that after a man has received one or two calls for service even though postponements were granted he becomes uneasy and enlists partly owing to the fact that he does not know as to whether further postponements will be granted, partly because he does not wish to be looked upon as a slacker and in part because he wishes to enlist in the armed force of his choice rather than be drafted into the army. A man with aircraft experience naturally favours the air force. This problem demands immediate and serious consideration.

Shipbuilding Production

The Sub-committee has heard the evidence of departmental officials and has visited many of the shipbuilding yards engaged in the construction of naval as well as cargo ships but has not completed its enquiry into this subject and consequently makes no general report at this time with respect to it.

RECOMMENDATIONS

As a result of its investigations to date the Sub-committee makes the following recommendations:—

(1) That the policy of placing fire insurance on material to be used for the manufacture of aircraft and also on the finished aircraft down to date of actual acceptance by the Department of National Defence for Air should be discontinued and all existing contracts amended accordingly to provide that this risk should be carried by the Department of Munitions and Supply and further that the amount of fire insurance carried by privately owned companies on their own property and chargeable by the companies as a cost item with respect to aircraft built under the aforementioned contracts should be restricted to an

amount not to exceed actual cost less depreciation which has been written off the company books and further that in negotiating for a fixed price contract allowance for fire insurance should be restricted in like manner. This recommendation is equally applicable to shipbuilding. It is not the intention of this recommendation to prevent manufacturers from carrying use and occupancy insurance with respect to its plant and equipment.

(2) While considerable progress has been made in the elimination of royalty payments with respect to the production of aircraft the Sub-committee recommends that with the exception of reasonable cash payments to original inventors resident in Canada and in allied countries all licence, royalty and patent payments with respect to the manufacture of war materials, equipment and planes should be discontinued and that the necessary negotiations should be carried on with the governments of our allies to secure this result.

(3) That as soon as company financial statements are available for the year 1942 a special study should be made of profits, accelerated depreciation and corporate taxation. The question of excess profits and accelerated depreciation has caused the Sub-committee considerable concern. Very substantial profits are being earned in some instances far in excess of normal profits and while the Excess Profits Tax Act should result in no one being allowed to retain any excess profits which have been earned yet in many instances we found, as a result of rulings which have been given, companies will at the conclusion of the war own valuable physical assets which have been entirely paid for out of money which would otherwise have been payable as excess profits. Steps should be taken now to prevent sale of physical assets and company reorganization during the postwar period to escape taxation or to provide for the sterilization of physical assets whose cost has been completely written off through permitting very drastic depreciation write-offs as are now in effect with respect to plant and equipment of wartime industry. The Sub-committee found that in regard to industries engaged in war production rulings have been given in most instances permitting plant and machine costs to be written off in three years.

(4) That steps should be taken to put into effect a plan whereby novel engineering practices and production knowledge achieved by each of the different aircraft and shipbuilding firms may be made available to all plants in Canada and in allied countries on a reciprocal basis. The Sub-committee finds that all of the different firms are seeking to step up production and to reduce costs and that these efforts are highly beneficial to Canada's war effort. The different individual firms have improvements in different individual operations which if shared with all other firms would be highly beneficial to our entire production.

(5) As to aircraft production there is a constantly recurring bottleneck in regard to materials, machines, instruments and tools and there is a constant and serious slowing up in production by ever recurring improvements in designs. Large United States manufacturers have found that better results are obtained by declining to permit changes in designs, to be incorporated into their production lines until sufficient time has elapsed to permit this to be done in the regular course of their production. It should be noted that U.S. do not interrupt their production lines in making alterations in designs. They complete their aircraft as originally designed and then have the alterations made in an adjoining plant operated for that express purpose. We also heard many complaints of delays in the furnishing of engineering with respect to changes in designs. The shortages and the delays above noted result not only in a slowing up of production but also serious labour loss. These delays not only break down labour morale but seriously increase cost.

This reference applies to the shipbuilding industry as well, though delays in that industry through changes in designs and delay in the supply of engineering have not been so prevalent.

(6) That periodic checks should be made of the factory personnel of all plants to make available to plants requiring them any specialists who are no longer required in the plant where they are presently located. This recommendation is made because of the fact that some plants have, on account of changing war conditions, been awarded contracts for the manufacture of many different types of planes and as a result have built up skilled personnel to meet these extraordinary demands and in some instances this emergency has passed. That greater encouragement should be given to induce female workers to take factory employment in war industry and that adequate steps should be taken to solve the present problem of "absenteeism" which the special Sub-committee finds to be especially prevalent in the factories where good wages are being paid. As the skilled labour shortage becomes increasingly acute the Sub-committee believes that the more scientific allocation of labour to essential industries becomes necessary.

(7) That steps should be taken to bring up the work of the Accounting Branch, Department of Munitions and Supply, to the point where it can be kept current at all times. The Accounting Branch is doing a splendid job but is behind with its work. The results to be accomplished by this work are twofold:—

1. to assist departmental officials in negotiating purchase contracts at the correct price;
2. to detect anything in the nature of excessive cost or wrongful payment.

In its investigations the Sub-committee found in one instance that an aircraft producing firm agreed to pay a salesman for release of an existing sales contract an amount equal to 50 per cent of its firm capital and which agreement the Sub-committee believes to be an improvident agreement and should not have been entered into had the facts been brought to the attention of the department promptly.

(8) That active steps should be taken now to plan for postwar salvage of physical assets owned by the Department of Munitions and Supply. Hundreds of millions of dollars of public money have been spent on buildings, plant and equipment for war production, some of which has been expended on private property and under which the department is under agreement to remove within a very short period of time after the cessation of hostilities. This whole problem demands special study.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

27th January, 1943.

The Special Committee on War Expenditures begs leave to present the following as a

TWELFTH REPORT

A copy of the printed proceedings and evidence taken by your Committee is tabled herewith.

All of which is respectfully submitted.

ALPHONSE FOURNIER,
Chairman.

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SESSION 1944

HOUSE OF COMMONS

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(SPECIAL COMMITTEE)

ON

WAR EXPENDITURES

—

MINUTES OF PROCEEDINGS

No. 1

THURSDAY, FEBRUARY 24, 1944

WEDNESDAY, MARCH 1, 1944

FRIDAY, MARCH 3, 1944

WEDNESDAY, MARCH 8, 1944

THURSDAY, AUGUST 10, 1944

FRIDAY, AUGUST 11, 1944

—

Including

FIRST, SECOND, THIRD, FOURTH, FIFTH and SIXTH
REPORTS TO THE HOUSE

—

OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1944

ORDERS OF REFERENCE

TUESDAY, 22nd February, 1944.

Resolved,—That a Select Committee be appointed to examine the expenditure defrayed out of moneys provided by Parliament for the defence services, and for other services directly connected with the war, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, and that notwithstanding Standing Order 65 the Committee shall consist of twenty-four members, as follows: Messrs. Black (*Cumberland*), Cleaver, Donnelly, Dupuis, Edwards, Fauteux, Ferland, Gladstone, Golding, Hill, Homuth, Hurtubise, Jackman, Knowles, McGregor, Nixon, O'Neill, Picard, Pinard, Pottier, Reid, Shaw, Tripp, Winkler, with power to send for persons, papers and records; to examine witnesses and to report from time to time to the House.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, February 29, 1944.

Ordered,—That the said Committee be empowered:—

1. To sit while the House is sitting and notwithstanding any adjournment of the House, and to adjourn from place to place.
2. To determine the manner and extent to which the evidence, proceedings and reports shall be printed or typed, and that where the same are ordered to be printed there be printed 500 copies in English and 200 copies in French, and that Standing Order 64 be suspended in relation thereto.
3. To appoint subcommittees, to fix the quorum of any such subcommittee and refer to such subcommittees any of the matters referred to the Committee; any such subcommittees so appointed to have power to send for persons, papers and records, and to examine witnesses under oath or otherwise, to sit while the House is sitting and notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time to the Committee.
4. To employ such staff as it may deem necessary.
5. In cases where consideration of national security precludes the publishing of certain recommendations and of the arguments upon which they are based, to address a memorandum to the Prime Minister for the consideration of the War Cabinet, provided that the Committee shall, whenever it has exercised such powers, report the fact as soon as possible to the House.

Ordered,—That during any adjournment of the House the Reports of the said Committee shall be deemed to have been Tabled when filed with the Clerk of the House and seven days have elapsed after the date of such filing.

Ordered,—That six members shall constitute a quorum of the said Committee and that Standing Order 65(3) be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

THURSDAY, March 2, 1944.

Ordered,—That the name of Mr. Factor be substituted for that of Mr. Gladstone on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, February 24, 1944.

The Special Committee on War Expenditures met at 10.00 o'clock a.m.

Members present: Messrs. Black (Cumberland), Cleaver, Donnelly, Edwards, Fauteux, Ferland, Gladstone, Golding, Hill, Homuth, Hurtubise, Jackman, Knowles, Nixon, O'Neill, Picard, Reid, Shaw, Tripp.

On motion of Mr. Golding, seconded by Mr. Hurtubise, Mr. Cleaver was elected Chairman.

Mr. Cleaver took the Chair.

The Committee having proceeded to the consideration of its first report to the House, Mr. Golding moved that the Committee report as follows:—

Your Committee recommends that it be empowered:—

1. To sit while the House is sitting and notwithstanding any adjournment of the House, and to adjourn from place to place.
2. To determine the manner and extent to which the evidence, proceedings and reports shall be printed or typed, and that where the same are ordered to be printed there be printed 500 copies in English and 200 copies in French, and that Standing Order 64 be suspended in relation thereto.
3. To appoint subcommittees, to fix the quorum of any such subcommittee and to refer to such subcommittees any of the matters referred to the Committee; any such subcommittee so appointed to have power to send for persons, papers and records and to examine witnesses under oath or otherwise, to sit while the House is sitting and notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time to the Committee.
4. To employ such staff as it may deem necessary.
5. In cases where consideration of national security precludes the publishing of certain recommendations and of the arguments upon which they are based, to address a memorandum to the Prime Minister for the consideration of the War Cabinet, provided that the Committee shall, whenever it has exercised such powers, report the fact as soon as possible to the House.

Your Committee further recommends:

1. That during any adjournment of the House its reports shall be deemed to have been tabled when filed with the Clerk of the House and seven days have elapsed after the date of such filing.

That six members constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.

On motion of Mr. Homuth,

Resolved,—That a striking Committee consisting of the Chairman and Messrs. Golding, Hill, Jackman, Knowles, Shaw and Reid be appointed to select the subcommittees.

Mr. Black having suggested that the Committee give immediate consideration to the question as to whether the Committee's sittings were to be open or *in camera*, it was agreed to defer consideration of this matter until the next sitting.

On motion of Mr. Reid, the Committee adjourned to the call of the Chair.

WEDNESDAY, March 1, 1944.

The Special Committee on War Expenditures met at 3.30 o'clock p.m., the Chairman, Mr. Cleaver, presiding.

Members present: Messrs. Black (*Cumberland*), Cleaver, Donnelly, Edwards, Fauteux, Ferland, Golding, Hill, Homuth, Hurtubise, Jackman, Knowles, Nixon, O'Neill, Picard, Pinard, Reid, Shaw, Tripp.

The Chairman having suggested that members of the press be asked to retire, Mr. Homuth objected and moved, seconded by Mr. Jackman:

That all committee meetings, both of the main committee and subcommittees, shall be held in public except where matters of national security be involved.

The motion was debated, and, at one stage of the debate, to permit of the Chairman participating, the Chair was occupied by Mr. Golding.

The question being put on the said motion, it was negatived on the following recorded division: *Yeas*,—Messrs. Black, Homuth, Jackman, Knowles and Shaw (5)—*Nays*,—Messrs. Donnelly, Edwards, Fauteux, Ferland, Golding, Hill, Hurtubise, Nixon, O'Neill, Picard, Pinard, Reid and Tripp (13).

Mr. Fauteux moved:

That all meetings of the main committee be held in secret excepting when, on motion, the Committee decides to hold public sittings, and that the sittings of subcommittees be in secret except when leave is requested and obtained from the main Committee to hold public meetings with respect to any given subject of inquiry; and that seven copies only of the proceedings and evidence in sittings in secret be made in type script, one for the Chairman of the whole Committee, one for the Chairman of the subcommittee, one for the Clerk of the Committee, one to be sent to the witness for correction and return, and three for the use of members of the Committee; all copies to be in charge of the Clerk of the Committee when not in use.

Motion carried on division (*Yeas*, 13; *Nays*, 5).

Mr. Knowles moved:

That no report based on secret evidence be issued by the Committee unless the report be unanimous.

The Chairman expressed the view that the motion was futile in that by majority vote any future meeting of the Committee could decide otherwise, and suggested to the mover that his object had been attained by bringing his views to the attention of the Committee and that the motion should be withdrawn.

Mr. Knowles withdrew his motion.

The Committee adjourned at 6.00 o'clock, to the call of the Chair.

FRIDAY, March 3, 1944.

The Special Committee on War Expenditures met at 11.00 o'clock a.m., the Chairman, Mr. Cleaver, presiding.

Members present: Messrs. Black (*Cumberland*), Cleaver, Donnelly, Edwards, Ferland, Golding, Hill, Homuth, Hurtubise, Jackman, Knowles, McGregor, Picard, Reid, Shaw.

The Chairman submitted the report of the Striking Committee respecting the appointment and personnel of subcommittees.

Before proceeding to the consideration of the said report, Mr. Homuth expressed the opinion that the Committee had exceeded its powers in deciding to hold secret sittings, and quoted paragraph 551 of Beauchesne's Parliamentary Rules and Forms, Third Edition, viz: "When in the opinion of the House, secrecy ought to be maintained, Secret Committees are appointed, whose enquiries are conducted throughout with closed doors, and it is the invariable practice for all members, not on the committee, to be excluded from the room throughout the whole proceedings."

Mr. Homuth requested that a ruling be given in this matter and that the Committee and its subcommittees hold no sittings in secret until such ruling had been given.

The Chairman replied that a ruling would be given at the next sitting.

The Committee then proceeded to the consideration of the Striking Committee's report which was amended and, on motion of Mr. Homuth, adopted as follows:

"The Striking Committee of the Special Committee on War Expenditures recommends:

That three standing subcommittees be appointed and that the entire War Appropriation Estimates 1944-45, as well as all past war expenditures regarding the same items be referred to them as follows:

1. That subcommittee No. 1 be appointed to inquire into the following:

- (a) All Naval services estimates, War Appropriation 1944-45, excepting Item 5: personal supplies and services, viz.—food, medical and dental stores, clothing and personal equipment;
- (b) All Air services estimates, War Appropriation 1944-45, excepting Item 5: personal supplies and services, viz.—food, medical and dental stores, clothing and personal equipment;
- (c) Item 4 of Army services estimates, War Appropriation 1944-45, being construction, purchase, repairs and operating expenses of properties. (This item as to Air and Naval services is included in sub-paragraphs (a) and (b) above noted);
- (d) Cargo and all types shipbuilding.

That such subcommittee consist of Messrs. Cleaver (Chairman), Black, Dupuis, Factor, Ferland, Golding, Hill, Hurtubise, Knowles, McGregor, Pottier, Reid and Shaw, and that the quorum be 3.

2. That subcommittee No. 2 be appointed to inquire into the following:

- (a) All Army services estimates, War Appropriation 1944-45, excepting Item No. 4 which is construction, purchase, repairs and operating expenses of properties;
- (b) Item No. 5 of Naval services estimates, War Appropriation 1944-45, and Item No. 5 of Air services estimates, War Appropriation 1944-45, these items being for personal supplies and services, viz.—food, medical and dental stores, clothing and personal equipment;
- (c) Salvage.

That such subcommittee consist of Messrs. Edwards (Chairman), Fauteux, Factor, Nixon, McGregor, O'Neill, Pinard and Shaw, and that the quorum be 3.

3. That subcommittee No. 3 be appointed to inquire into the following:—

- (a) Department of Munitions and Supply estimates, War Appropriation 1944-45;
- (b) Sundry services—all three Defence services, War Appropriation 1944-45;

- (c) Wartime Boards;
- (d) Government-owned companies and all types of military equipment and supplies not above allotted;
- (e) Corporate taxation.

That such subcommittee consist of Messrs. Picard (Chairman), Donnelly, Homuth, Jackman, Knowles, Tripp and Winkler, and that the quorum be 3.

4. That the Chairman be ex-officio a member of all subcommittees.

5. That in addition to the three standing subcommittees, further special subcommittees be appointed from time to time to inquire into individual matters of inquiry.

6. That an Agenda Committee be appointed to decide from time to time the subject matters to be inquired into by special subcommittees and to nominate the membership of such special subcommittees; such Agenda Committee to consist of Messrs. Jackman, Shaw, Knowles, Reid and all acting chairmen of subcommittees already appointed and to be hereafter appointed."

The Committee adjourned to the call of the Chair.

WEDNESDAY, March 8, 1944.

The Special Committee on War Expenditures met at 3.30 o'clock p.m., the Chairman, Mr. Cleaver, presiding.

Members present: Messrs. Black (Cumberland), Cleaver, Donnelly, Edwards, Fauteux, Ferland, Factor, Golding, Hill, Homuth, Hurtubise, Jackman, Knowles, McGregor, Nixon, O'Neill, Picard, Pinard, Pottier, Reid, Shaw, Tripp, Winkler.

Before proceeding to the order of business the Chairman gave his ruling on the point of order raised by Mr. Homuth at the last sitting, on March 3, viz.—

I promised at the last meeting of this committee that I would, at the opening of this meeting, make a ruling in regard to the point of order raised by the honourable member for Waterloo South. The point of order which he has raised is that this Special Committee on War Expenditures has no power to hold any sessions other than public sessions and that if the committee decides to hold any secret sessions it must first obtain power to do so from the House of Commons. In support of his point of order the honourable member has referred me to the Third Edition of Beauchesne's Parliamentary Rules at page 200, Rule 551.

I have considered the matter carefully and I now rule that the point of order is not well founded and that this committee has the power to hold secret sessions as it may decide. It is my opinion that Rule 551 is quite clear. It is intended to provide for the appointment of a committee which in the opinion of the House must hold *all* of its meetings in secret. The rule reads as follows:—

When in the opinion of the House, secrecy ought to be maintained, Secret Committees are appointed, whose enquiries are conducted throughout with closed doors, and it is the invariable practice for all members, not on the committee, to be excluded from the room throughout the whole of its proceedings.

It is my opinion that the rule in question applies only to committees with reference to which the House at the time of the appointment of the committee deems it advisable to make it mandatory on the part of the committee to hold secret sessions only.

Should any further argument be necessary with respect to this ruling there is ample British as well as Canadian precedent. The first War Expenditures Committee of this House was appointed in 1941 and since then scores of secret sessions have been held both of the main committee and of the different subcommittees. Our order of reference appointing the special committee on War Expenditures is in exactly the same terms as the British order of reference appointing the war expenditures committee in Great Britain with only one exception. Here the word "current" is deleted which has no bearing on the present point of order. In Great Britain the War Expenditures Committee has held all of its main committee meetings and all of the subcommittee meetings in secret. Both here as well as in Great Britain the Commons did not make it mandatory on the part of the committee to sit in secret but left the matter to the discretion of the committee. In my opinion there are no restrictions upon the right of the committee to decide as to whether its meetings are to be public or secret. The debate in the House which took place when the committee was first appointed clearly indicates that it was the intention of the House to give the committee complete freedom of action in this regard and there is nothing in the order of reference which in any way limits the type of meetings to be held by the committee.

By unanimous consent, Mr. Homuth was permitted to make a brief statement expressing disagreement with the Chairman's ruling. He also questioned the set-up of the Committee, and gave notice that the Chairman's ruling would be appealed to the Speaker of the House.

On behalf of the Agenda Committee, the Chairman submitted the following report:—

The Agenda Committee of the Special Committee on War Expenditures begs leave to report as follows:—

Your committee recommends:

1. That the Clark boot charges be referred to subcommittee No. 2 for consideration.

2. That the McGregor statements respecting the construction of No. 2 shell filling plant at Pickering, be referred to subcommittee No. 1 for consideration.

3. That a special subcommittee (No. 4) be appointed to inquire into the following:

(a) Rentals and purchases of buildings for war purposes, the request of Mr. A. H. Bence, M.P., addressed to the Committee to be referred to the said subcommittee for consideration.

(b) Manufacture of ammonium nitrate at Calgary.

That the said subcommittee consist of the following members: Messrs. Tripp (Chairman), Shaw, Jackman, Nixon, Golding and Winkler, and that the quorum be 3.

On motion of Mr. Golding the report was adopted.

On motion of Mr. Picard,

Ordered,—That the name of Mr. Jackman be added to the list of members on subcommittee No. 2; that the name of Mr. Factor be struck out from the list of members of subcommittee No. 2 and added to that of subcommittee No. 3; and that the name of Mr. Pottier be added to the list of members of subcommittee No. 3.

The question of members' expenses when the Committee adjourns from place to place was discussed, and on motion of Mr. Reid, it was resolved that the Chairman enquire into this matter and also make repre-

sentations to the effect that a per diem expense allowance be paid to each member of the Committee while sitting during any long adjournment of the House.

On motion of Mr. Donnelly,

Ordered,—That the minutes of proceedings of the main committee be handed to the press by the Clerk of the Committee.

The Committee adjourned to the call of the Chair.

THURSDAY, August 10, 1944.

The Special Committee on War Expenditures met at 11.30 a.m., the Chairman, Mr. Cleaver, presiding.

Members present: Messrs. Cleaver, Donnelly, Fauteux, Ferland, Golding, Hurtubise, Knowles, McGregor, Nixon, O'Neill, Picard, Tripp.

On motion of Mr. Golding,—

Ordered,—That the Minutes of Proceedings of the Committee and Reports tabled in the House, be printed.

Mr. Picard, Chairman of Subcommittee No. 3, presented a report of the said subcommittee on the rubber situation in Canada.

The said report having been considered in part, the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m.

Members present: Messrs. Cleaver, Donnelly, Knowles, McGregor, Nixon, O'Neill, Picard, Tripp.

Mr. Cleaver, Chairman of Subcommittee No. 1, presented a report of the said subcommittee on aircraft production.

The said report having been considered, Mr. Golding moved that it be adopted as the Committee's Second Report to the House.

Motion carried on division.

The Committee then reverted to the consideration of the report submitted by Subcommittee No. 3.

The said report having been further considered and amended, Mr. Tripp moved that the report as amended be adopted as the Committee's Fifth Report to the House.

Motion carried on division.

Discussion arose as to the advisability of holding Committee sittings during the impending adjournment of the House. Members of the Committee present were agreed that the government be requested to include in the Supplementary Estimates an appropriation for this purpose.

The Committee adjourned until 11.30 a.m. on Friday, August 11.

FRIDAY, August 11, 1944.

The Special Committee on War Expenditures met at 11.30 a.m., the Chairman, Mr. Cleaver, presiding.

Members present: Messrs. Cleaver, Edwards, Ferland, Golding, Hurtubise, Knowles, McGregor, Nixon, O'Neill.

Mr. Edwards, Chairman of Subcommittee No. 2, presented a report of the said committee on the purchase and inspection of boots and shoes for members of the armed services and other matters related thereto.

The said report having been considered, Mr. Nixon moved that it be adopted as the Committee's Third Report to the House.

Motion carried on division.

On motion of Mr. Nixon,—

Ordered,—That the Clerk of the Committee be instructed to return the exhibits filed with Subcommittee No. 2 by witnesses from the Inspection Board of the United Kingdom and Canada, and required for their office records, and those filed by William J. Smith, who was a witness before the Committee.

The Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m.

Members present: Messrs. Cleaver, Edwards, Fauteux, Ferland, Knowles, McGregor, Nixon, O'Neill, Tripp.

The Committee proceeded to the consideration of its Sixth Report to the House.

Mr. Ferland moved,—

That the said report be adopted and presented to the House.

Motion carried on division.

By unanimous consent, the Committee gave reconsideration to the report of Subcommittee No. 2, adopted at the previous sitting.

The said report was further amended by adding the following recommendation:

That steps be taken to institute inspection and suitable identification of sole leather at the tanneries, and that shoe manufacturers should be compensated by an increase over their basic contract price as an incentive to the use of the higher gauge leather instead of keeping their costs down by keeping as close as possible to minimum specifications.

Mr. Nixon moved that the amendment be adopted and the report adopted as amended.

Motion carried on division.

Mr. Tripp, Chairman of Subcommittee No. 4, presented a report of the said subcommittee on the manufacture of ammonium nitrate at Calgary.

The said report having been considered, Mr. Knowles moved that it be adopted as the Committee's Fourth Report to the House.

Motion carried.

The Chairman thanked all members of the Committee for their co-operation and the Committee adjourned *sine die*.

R. ARSENAULT,
Clerk of the Committee.

REPORTS TO THE HOUSE

FIRST REPORT

THURSDAY, February 24, 1944.

The Special Committee on War Expenditures begs leave to present the following as its First Report: Your Committee recommends that it be empowered:—

1. To sit while the House is sitting and notwithstanding any adjournment of the House, and to adjourn from place to place.

2. To determine the manner and extent to which the evidence, proceedings and reports shall be printed or typed, and that where the same are ordered to be printed there be printed 500 copies in English and 200 copies in French, and that Standing Order 64 be suspended in relation thereto.

3. To appoint subcommittees, to fix the quorum of any such subcommittee and to refer to such subcommittees any of the matters referred to the Committee; any such subcommittee so appointed to have power to send for persons, papers and records and to examine witnesses under oath or otherwise, to sit while the House is sitting and notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time to the Committee.

4. To employ such staff as it may deem necessary.

5. In cases where consideration of national security precludes the publishing of certain recommendations and of the arguments upon which they are based, to address a memorandum to the Prime Minister for the consideration of the War Cabinet, provided that the Committee shall, whenever it has exercised such powers, report the fact as soon as possible to the House.

Your Committee further recommends:

1. That during any adjournment of the House its Reports shall be deemed to have been tabled when filed with the Clerk of the House and seven days have elapsed after the date of such filing.

2. That six members constitute a quorum and that Standing Order 65 (3) be suspended in relation thereto.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

SECOND REPORT

SATURDAY, August 12, 1944.

The Special Committee on War Expenditures has received from its Subcommittee No. 1 the following report on aircraft production which it has considered and adopted as its Second Report to the House.

REPORT OF SUBCOMMITTEE NO. 1

Subcommittee No. 1 was appointed on the third day of March, 1944, to inquire, *inter alia*, into the following:—

All Air Services Estimates. War Appropriation 1944-45 excepting Item 5.

Your subcommittee begs to present its first and final report of findings and recommendations with respect to aircraft production, as a supplement to report of Subcommittee No. 1 bearing date January 27, 1943. In the course of its

inquiry your subcommittee revisited the plants of de Havilland and Victory near Toronto and of Fairchild and Vickers near Montreal, as these plants were in the stage of production change-over at the time of the committee's previous visit. The subcommittee also visited the plants of four main sub-contractors. The subcommittee held fifteen meetings and examined twenty-four witnesses.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman, Subcommittee No. 1.

1. Your subcommittee made a full inquiry into the subject of aircraft production in Canada, during its sittings in 1942 and 1943. Since its inquiry no contracts for the production of new types of aircraft have been entered into and the only changes which have occurred with respect to the prime contractors are the expropriation by the government of the Victory Aircraft Plant at Malton and the appointment of a Controller at the de Havilland plant.

2. The following is a statement showing the total production of aircraft as of June 30, 1944, and the balance still to be produced under existing contracts:—

Manufacturer	Type of Aircraft	Number Ordered	Number Accepted to June 30	Balance to produce from June 30
Boeing Aircraft Limited.....	Shark	15	15	....
	P.B.Y.	380	233	147
Associated Aircraft Limited...	Hampden	160	160	....
Canadian Car & Foundry.....	Grumman	15	15	....
	Hurricane	1,451	1,451	....
	S.B.W. 1	1,000	196	804
	S.B.W. 1 (Mod.)	30	24	6
Canadian Vickers Ltd.	Delta	8	8	....
	Stranraer	32	32	....
	P.B.Y.	369	112	157
De Havilland Aircraft of Canada Limited.....	Tiger Moth	1,384	1,384	....
	Menasco Moth	136	136	....
	D.H. 98 Bomber	670	276	394
	D.H. 98 (F. Bomber)	773	1	772
	D.H. 98 Trainer	57	....	57
Fairchild Aircraft Ltd.	Bolingbroke	626	626	....
	S.B.F. 1	300	50	250
	S.B.F. 2	280	....	280
	S.B. 2C-1 Modif.	125	125	....
Federal Aircraft Limited.....	Anson II	1,832	1,832	....
	Anson V	1,300	742	558
Fleet Aircraft Limited.....	Fleet El. Trainer	431	431	....
	Fleet 60	101	101	....
	Cornell	500	500	....
	P.T. 23	93	93	....
	P.T. 26A	1,142	1,142	....
Noorduyn Aviation Limited...	Norseman	350 } 1,146	539	607
	Harvard	796 } 3,120	2,278	842
Victory Aircraft Limited.....	Lysander	225	225	....
	Lancaster	600	81	519
		18,301	12,908	5,393

The total amount of capital assistance extended to this branch of war production as of March 31, 1944, is as follows:—

<i>Program—</i>	<i>Allotment</i>
Anson	\$ 2,523,809 43
Cornell	1,454,610 51
D.H. 98 (Mosquito)	10,436,105 84
Harvard	3,587,143 92
Hurricane	79,509 75
Lancaster	7,313,080 97
Norseman	1,676,342 14
P.B.Y.	11,090,951 25
S.B.W.-1 and S.B.F.-1	6,223,770 71
Overhaul Program	15,588,707 34
General	8,589,418 01
Total	<u>\$ 68,563,449 87</u>

As to all of our capital expenditures the Crown has title to the assets produced by the expenditures with minor exceptions as to rehabilitation of and additions to existing plants. The total amount of capital expenditures as to which the Crown has no title is \$207,442. In addition to capital assistance special depreciation has been granted to these industries, mostly in regard to sub-contractors with respect to expenditures of a total amount of \$5,996,005.25. From this amount should be deducted the post-war value of these assets which has been fixed at \$993,458, and in order to arrive at the net amount of special depreciation extended the normal depreciation with respect to these assets should also be deducted.

Recommendations

As a result of its investigations to date the subcommittee makes the following recommendations in addition to those already submitted in its report dated January 27, 1943.

(a) That a plan of profit-sharing by labour now in operation at the Vickers plant at Montreal should be carefully studied by all other manufacturers in this industry and so far as possible should be universally used. This plan has resulted in an increased production and substantially lower cost per plane. Not only is production speeded up but the savings greatly exceed the cost of the bonus.

(b) As to the Victory Aircraft plant at Malton this plant is now well managed and is maintaining its estimated production. Your subcommittee is of the opinion that a large percentage of the cause for disappointing results in the past at this plant is due to the fact that the plant did not have long term contracts but was constantly changing its production as well as the fact that it is definitely handicapped by the fact that it is located too far from any large urban centre. At the time of its first visit to this plant the subcommittee urged that transportation facilities for workers should be improved and that some transportation allowance in addition to wages should be considered. While considerable improvement has been achieved in regard to this problem your subcommittee believes that if anything further can be done in this regard it will have beneficial results.

(c) That active steps should be taken now to plan for the post-war problem which will arise when the war is over with respect to Canadian aircraft plants and that with this end in view as to any new orders which may be undertaken on either United Kingdom or United States account they should be with respect to army transport planes rather than fighter craft or bombers.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

THIRD REPORT

SATURDAY, August 12, 1944.

The Special Committee on War Expenditures has received from its Subcommittee No. 2 the following report which it has considered and adopted as its Third Report to the House.

REPORT OF SUBCOMMITTEE No. 2

Subcommittee No. 2 was appointed on the third day of March, 1944, to inquire into the following:—

- (a) All Army services estimates, War Appropriation 1944-45, excepting Item No. 4 which is construction purchase, repairs and operating expenses of properties;
- (b) Item No. 5 of Naval services estimates, War Appropriation 1944-45, and Item No. 5 of Air Services estimates, War Appropriation 1944-45, these items being for personal supplies and services, viz., food, medical and dental stores, clothing and personal equipment.

Your subcommittee begs to present its first and final report of findings and recommendations with respect to the provisioning of footwear for the armed services of Canada.

The subcommittee held fifty-four sittings, all of which were held in secret in accordance with the direction of the General Committee. The subcommittee heard twenty-nine witnesses all of whom were sworn before giving their evidence, which comprised six hundred and eighty-three typewritten foolscap pages and eighty exhibits. The subcommittee visited the plant of one shoe manufacturer in Montreal, as well as the shoe repair and rebuilding depot operated by the Army in that city.

All of which is respectfully submitted.

MANLEY J. EDWARDS,
Chairman,

Subcommittee No. 2.

Scope of Inquiry

The scope of the subcommittee's inquiry embraced the acquisition, control and distribution of essential materials and the processing of same; the specifications of service footwear; the methods and controls used in estimating service requirements; the awarding and distribution of manufacturing contracts; and the prices paid; the methods and procedures adopted for inspecting the manufacturing process, component parts used and the finished product; the practices in the respective services in regard to provisioning, fitting, repair and replacement of service footwear and the salvage and disposal of same when no longer serviceable.

Procedural

Your subcommittee had before it responsible officers of the Army, Navy and Air Force; officials of the Department of Munitions and Supply, the Inspection Board of the United Kingdom and Canada, hereinafter referred to as the "Board", the Wartime Prices and Trade Board and their technical advisers; representatives of the leather tanning and shoe manufacturing industries; as well as Mr. James Clark and Mr. W. J. Smith, both former employees of the Board.

By arrangement with the Chairman, Mr. Clark accompanied by his Counsel appeared before the subcommittee on April 25th and 26th and after having

first been advised by the Chairman that all sittings of this subcommittee were in secret and what was said and done must be so regarded by all who were privileged to be present, Counsel for Mr. Clark tendered to the subcommittee a typewritten summary of his client's charges and the reply of the Board thereto, as published in the Toronto Globe and Mail newspaper on the second day of February, 1944, and then announced that his client would not give any evidence unless the subcommittee sat in open session. A motion having been put and defeated that the subcommittee request the General Committee for leave to sit in open session, Mr. Clark and his Counsel, as well as three members of the subcommittee, two from the Progressive Conservative Party and one from the Social Credit Party, withdrew from the sitting. On the following day, April 26th, Mr. Clark having been formally summoned to appear before the subcommittee, did so, but refused to be sworn. The subcommittee having adopted the practice of swearing all witnesses appearing before it, refused to hear Mr. Clark until he had been sworn, and he having refused to take the oath, withdrew from the meeting and did not subsequently appear before it.

Your subcommittee draws attention to the fact that when on the previous day Mr. Clark, his Counsel and three members of the subcommittee withdrew from the meeting, no testimony other than an unsworn and impassioned speech by Counsel had been heard in support of Mr. Clark's allegations and yet all saw fit to disregard the obligations of secrecy imposed upon witnesses and committee members alike. The fact that the Opposition members of your General Committee had previously taken an appeal to the Speaker of the House of Commons against the decision of the General Committee that all subcommittees must in the absence of special permission from the General Committee, sit in secret, and that the three members knowing of this ruling saw fit to not only recount to an expectant press reporter from the *Globe and Mail* the incidents above referred to, but have since absented themselves from all sittings of this subcommittee, is one which this subcommittee feels should be reported to the House of Commons in order that it may properly appraise the weight or value to be attributed to these reports, and the justification for the actions of the committee members who withdrew from the sittings and have since absented themselves therefrom. Your subcommittee further draws attention to the fact that the gravamen of Mr. Clark's charges are directed against officials of the Board which is the creation of the Government of Great Britain as well as of Canada by whom it is jointly maintained, and for whose operations, maintenance and actions the two governments are jointly responsible. It is not unreasonable to assume in any inquiry by this subcommittee that the same practice of secrecy would be followed as is done in Great Britain by similar committees appointed to conduct inquiries into governmental war expenditures.

Specifications for Service Footwear

Prior to November, 1941, each of the Services provided their own specifications for their footwear requirements. On the above date a joint Standing Committee on Specifications for clothing and shoes was set up composed of representatives from the Army, Navy and Air Services, together with representatives from the National Research Council and the Department of Munitions and Supply. This committee is a purely advisory one, but performed a very useful service as a clearing house for information and new ideas, not only for the improvement of Service footwear as revealed by the experience and experiments conducted by the Services and the National Research Council, but in recommending modifications in these specifications to meet fluctuations in the supply and availability of the raw materials and the manufacturing capacity of the nation to meet the competing demands as between the Services themselves and the requirements of the civilian population.

Your subcommittee is of the opinion that the Chairman and personnel of this Advisory Committee on Specifications or any committee which may succeed it, should not only be composed of the most capable and experienced technical experts of the various departments concerned, but be enlarged to include the technical experts as well of the civilian producers, processors and manufacturers. Any difficulties heretofore encountered have arisen by reason of sudden and large demands from the Services for Service footwear and uncertainty as to available supplies of leather and components to meet the demands. It is a satisfaction to know that since the outbreak of war the life of Army footwear by careful inspection and reports, has been prolonged from six months to ten months. It is a satisfaction to know that the Services are continuing their investigations and experimentation in conjunction with the National Research Council with a view to improvement of Service footwear consistent with the available supply of raw materials and the manufacturing capacity of the country.

Some limited and localized complaints followed the adoption of a cork and resin filler which is a compound most commonly used in civilian footwear regardless of the price thereof. While no general complaints were made in regard to the use of this filler which is still used in nearly all Service footwear other than the Service boots, the committee recommend that felt should be readopted as the filler as soon as the supply of this material was available.

Early in 1942 there was an increased demand for Service footwear in the Army occasioned by rapid increases in enlistments and the adoption of a new "boot, ankle, C.A.C." required for the mechanized and armoured units overseas. To supply these increased requirements presented a problem to the suppliers of leather as well as to the shoe industry. There was at the time a prospective diminishing supply of suitable domestic hides and an increased demand upon shared available foreign supplies, some of which had been lost by reason of enemy action. To meet what threatened to be a desperate situation, a concession was made to the tanners and manufacturers with regard to gauge and quality of sole leathers and the Air Force found it possible to postpone some of its requirements. Fortunately, both the foreign and domestic supply improved later in the year and the shortage was not as great or prolonged as had been anticipated. It was found that of the 1,005,204 pairs of boots and shoes produced between November 5, 1942, and February 28, 1943, the period during which the concession was in force, in less than 8 per cent of the boots and shoes produced was any advantage taken in regard to the gauge of sole leather used. That some of the Services had overestimated their requirements and that the suppliers had underestimated available and prospective supplies of materials and thereby induced the committee to recommend to the Services amendments to their shoe specifications is something that cannot be charged against this committee, but does emphasize the importance of seeing to it that there should be the closest liaison between the Armed Services, the manufacturers and producers of material in order to avoid exaggerated estimates of service requirements and accurate, factual evidence of available supplies.

The subcommittee was impressed with the possibility of improving the character, wearing quality and durability of sole leathers and while passing no opinion on the validity of the claims of impregnated leathers or synthetic substitutes for leather, it does recommend that these be given fair and adequate trials to establish their relative merits and adaptability for service footwear having in mind that present foreign hide supplies have already diminished and may entirely disappear.

The subcommittee feels that a determined effort should be made to standardize the design, model and construction of service footwear in all Services, where used for the same or similar purposes. While recognizing that

a special design and construction may be necessary in footwear for special kinds of work, it nevertheless feels that a substantial saving could be effected in material, manufacturing equipment and cost as well as in the cost of maintaining reserve emergency stock and the availability of same, if this is found possible. Your subcommittee finds it difficult to believe that in time of war at least, a man entering any of the Services requires a work boot, walking out shoe or rest shoe, made on a different last with a different design or pattern and of a different construction to that worn by the same man performing the same or similar work in any of the three Services.

High gauge and good quality sole leather is admittedly the foundation of good shoes, and in order to ensure that all available supplies find their way into service footwear your subcommittee recommends that steps be taken to institute inspection and suitable identification of sole leathers at the tanneries and that shoe manufacturers should be compensated by an increase over their basic contract price as an incentive to the use of the higher gauge leathers instead of keeping their costs down by keeping as close as possible to minimum specifications.

Awarding of Contracts

Since setting up of the Department of Munitions and Supply all demands of the three Services for footwear and repair materials are contracted for by this department. The increasing requirements of the armed services for footwear, all of which is manufactured by the Goodyear welted process, created a condition where as high as 75 per cent of the productive capacity of all welted shoe manufacturers (30 in number with a normal weekly peak capacity of approximately 100,000 pairs) had to be used. The general practice adopted has been to call for tenders, and then with the price of the lowest bidder as a guide to negotiate with the individual firms in an endeavour to have them approximate the lowest price, having due regard to the actual production costs of each firm. The maximum price variance in this regard is less than 8 per cent. The manufacturers generally were reported as co-operative despite the disruptions of their normal civilian production. The department has an effective control instrument through its priorities control of hides and leather, and in this way is able when and if necessary to command any situation. The manufacturing costs and the profits are subject to careful inquiry by this department, and while the price of service footwear has risen, as in the case of the Army boot from an average of \$4.50 per pair in 1940 to \$5.50 in 1944, which is accounted for by cost of living bonus, wage increases and increased cost of material, the evidence showed that the profits were below 5 per cent on sales and did not exceed 18 cents per pair. The major difficulties and complaints of the manufacturers arise from fluctuations in service footwear demands which disrupt civilian production schedule and disorganize manufacturing processes in plants.

With respect to the awarding of contracts your subcommittee makes the following recommendations:—

- (a) Orders should be placed with manufacturers a sufficient period of time in advance of delivery dates to permit the manufacturer to maintain a steady flow of production. Peaks and depressions in production are wasteful.
- (b) Contracts to individual firms should in regard to types be issued to those firms which on account of their factory facilities and the training of their personnel are especially suited to achieve the best results with respect to the different types.

- (c) There are many sizes and widths of footwear produced in every type. These sizes should be rateably distributed among each of the manufacturers to whom contracts are awarded for a given type. Each individual contractor should not be required to go to the delay and expense of producing all sizes and widths in any one type.

Provisioning of Service Personnel

The evidence submitted shows that greater care and expert attention has been given by all services to not only providing better boots and shoes, but seeing that the service personnel are properly fitted by experts assigned for this purpose. The committee commends the responsible officers for having instituted a system of regional repair depots operated by service personnel wherein footwear is repaired more speedily and at a substantial saving to the nation in repair costs, with greater efficiency, and with question to comfort of the wearer who now receives back after repair the shoes to which his feet have been accustomed.

Your subcommittee found that surpluses had accumulated of very small and very large sizes earlier in the war in anticipation of accessions to the army, which were not realized, and that with the adoption of the new boot some quantities of the old last (469) accumulated in the army depots, but these surpluses were all disposed of without monetary loss to the army either by sale to allied nations or other agencies of the government.

Inspection

Inspection of footwear in the previous war was limited to inspection by the services of the finished product in ordnance depots. In this war, inspection starts at the source. The components, the manufacturing processes, and the footwear in process of production are constantly under inspection by civilian inspectors employed by the Inspection Board. The fact that the Inspection Board, which has responsibility for the inspection of all types of war supplies and equipment, purchased by both Governments in Canada and in the United States, employs a staff of over 15,000 personnel and has had over 40,000 employees during its lifetime will give some indication of the magnitude of its task. Inspection results depend upon the qualifications of the individual inspectors and their honesty. The fact that in this vast army of inspection personnel difficulties or complaints have arisen in respect to a negligible number speaks well for the efficiency of the Board and its administrative officers, as well as for the competence and integrity of its employees. It need scarcely be stated that the quality of Canadian war equipment, and in particular the service footwear, is a tribute to the diligence and integrity of the producers and the Inspection Board, which opinion is shared by your subcommittee, after an exhaustive inquiry into the Board's methods and operation.

Clark and Smith Charges

As to the Clark and the Smith charges the subcommittee made thorough inquiry with reference to all of the matters referred to in these charges to determine as to whether any organization changes should be made or any additional safeguards should be instituted to protect the interests of the public purse, but found that any necessary action in this regard had already been taken by the Inspection Board. When the Canadian War Expenditures Committee was appointed it was patterned after the British Committee and Parliament clearly indicated that it was to function in the same manner as the British Committee. It is not a Public Accounts Committee nor is it a scandal hunting committee. The sole task of the War Expenditures Committee is to effect economies in our war effort. At the time of its appointment it was given the power to inquire into past as well as current expenditures whereas the British committee was only empowered to inquire into current expenditures.

At the time of the appointment of the Canadian War Expenditures Committee it was clearly indicated to the committee that any inquiry which it might make into past expenditures should be for the sole purpose of effecting present and future economies. This practice, notwithstanding repeated criticisms, has been universally followed and in the present instance should be strictly adhered to on account of the fact that the Inspection Board is the creature of the British as well as the Canadian Government.

As a result of its inquiry your subcommittee finds that no additional inspection safeguards to those already in force are necessary. Occasional infractions by and isolated indiscretions of inspectors have occurred but when discovered were adequately dealt with by the Inspection Board. Your subcommittee fully appreciates the fact that those sponsoring the charges will not be content with anything short of a public inquiry and punitive action should the facts justify it. All of the normal remedies are still available but this subcommittee does not feel that it should usurp the functions of the Public Accounts Committee or the courts.

Finding

The Canadian Army boot is unquestionably the most important of all service footwear requirements both as to quality and quantity. The present Canadian Army boot is in the opinion of all suppliers of material, manufacturers and technical experts, not only superior in every respect to the boot supplied to the Army in the last Great War, but is superior to that being supplied to any part of the civilian population regardless of price. In material, design, construction, fit, foot comfort, durability and repairability it can be confidently stated that this boot manufactured for the most part from Canadian material by Canadian workmen in Canadian factories and supplied to our Canadian soldiers, is now the equal, if not superior, to the boot supplied to any soldier anywhere, and the same may be said with equal assurance with respect to the essential footwear supplied to the Navy and Air Force, and your subcommittee is gratified to be able to report that this opinion is shared by the service personnel who wear them.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

FOURTH REPORT

SATURDAY, August 12, 1944.

The Special Committee on War Expenditures has received from its Subcommittee No. 4 the following report which it has considered and adopted as its Fourth Report to the House.

REPORT OF SUBCOMMITTEE No. 4

Subcommittee No. 4 was appointed on the 8th day of March, 1944, to inquire *inter alia* into the following:—

Manufacture of Ammonium Nitrate at Calgary

Your subcommittee begs to present its first and final report of findings and recommendations with respect to ammonium nitrate.

All of which is respectfully submitted.

J. P. TRIPP,
Chairman,

Subcommittee No. 4.

1. The Crown owns a plant at the City of Calgary which was built for the express purpose of manufacturing nitric acid and ammonium nitrate, solely for war purposes. This plant was built under the supervision of Canadian Industries Limited and Consolidated Smelters Limited, which Companies placed all information at their disposal, as well as trained staff, and which services were supplied by the Companies without profit. The agreement provided:—

"The Government agrees that at all and any times during which the plant is being operated by or for the Government, the products of the plant shall be used only in the manufacture of military explosives."

And in addition the agreement gave the companies an option to purchase in the following terms:—

"The Government agrees that it will not dispose of the plant or any part thereof whether by sale or upon lease or licence or otherwise howsoever without first offering the plant or such part thereof to the Consolidated. If such offer does not result in the disposal of the plant or such part thereof to the Consolidated the Government agrees that it will not until the expiration of fifteen years next ensuing after the termination of the present war dispose of the plant or any part thereof to any third party whether by sale or upon lease or licence or otherwise howsoever without first giving to the Consolidated an opportunity for thirty days to acquire the plant or such part thereof as the case may be at the same price and upon the same terms and conditions as the Government is able to obtain and is willing to accept from such third party. The Government agrees that any such offer shall include the land on which the plant or part thereof being dealt with is erected and undertakes to procure all proper assurances of such land according to the circumstances together with the benefit of all servitudes thereof, and hereby intervenes the said Consolidated which hereby accepts the stipulations made for its benefit in this clause."

2. During the operation of the plant for war purposes surpluses developed and on account of the scarcity of commercial fertilizer, caused by the war, research work was done and a process was perfected for the production of commercial fertilizer, which has been sold in Canada and abroad at a profit. This was prohibited by the agreement but the consent of the company was obtained to it.

Recommendations

As a result of its investigations the subcommittee makes the following recommendations:—

(a) That the plants at both Calgary and Niagara Falls should remain the property of the Crown and should be operated as a government enterprise for the purpose of the manufacture of ammonium nitrate for the use of Canadian agriculture and other chemicals. The subcommittee fully appreciates the fact that this recommendation is contrary to the existing agreement but believes that the manufacture of ammonium nitrate and other products is of sufficient importance to Canadian agriculture that the terms of the agreement should be renegotiated after the war.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

FIFTH REPORT

SATURDAY, August 12, 1944.

The Special Committee on War Expenditures has received from its Subcommittee No. 3 the following report on the rubber situation in Canada, which it has considered and adopted as its Fifth Report to the House.

REPORT OF SUBCOMMITTEE No. 3

When Subcommittee No. 3 was appointed on March 3, 1944, it was allotted, *inter alia*, the following subjects: Government owned Companies and Department of Munitions and Supply estimates, war appropriation 1944-45.

When your subcommittee first met, it decided to make a review of the activities of Polymer Corporation Ltd., a government-owned company incorporated in February, 1942, for the manufacture of synthetic rubber.

This decision was prompted by the interest of the general public in the rubber situation in Canada and the speculations as to the advisability of investing nearly 50 million dollars in a plant erected at Sarnia by that Company.

After devoting five meetings to the evidence of the officers of Polymer Corporation, it became apparent that in order to present the facts clearly to the House and to the public, it was necessary to look into all the aspects of the rubber problem.

Rubber is not only one of the vital necessities in the war machine; it is manifestly a necessity of our economic life, and no citizen of our country is disinterested in the outcome of the Government's effort to ensure adequate supplies.

It was therefore considered highly advisable by your subcommittee to make a thorough study of the question in order that the public might obtain a fuller knowledge of the problem and be able to understand some of the steps that have been taken by the Government both for the conservation of existing supplies and for the maintenance of adequate rubber stock piles.

The survey covered the following matters:—

1. The rubber situation and rubber stock pile as at December, 1941.
2. Steps taken towards the conservation of existing supplies; rationing of rubber and of motor vehicles; army regulations on use of motor cars;
3. Scrap and reclaim rubber.
4. The possibility of domestic production of natural rubber.
5. Synthetic rubber.

Your subcommittee heard eighteen witnesses and held sixteen meetings, all in camera, between March 14 and June 6, 1944, and visited the plant of the Polymer Corporation at Sarnia on May 24, 1944.

The evidence received related directly to two of the Government owned companies that is: Polymer Corporation Ltd. and Fairmont Company Ltd., and it dealt with the Munitions and Supply estimates for the office of the Rubber Controller and the office of the Motor-Vehicles Controller.

Other evidence submitted dealt directly with the rubber situation although it did not come under any of the specific items referred to your Subcommittee.

A number of scientists gave evidence concerning the different methods that could have been used in producing synthetic rubber as well as on the research made regarding the possibility of supply from domestic rubber plants. Other evidence adduced had reference to Army regulations concerning the use of rubber and to the different methods adopted by the Department of Munitions and Supply and by the Army for testing synthetic rubber.

Your subcommittee begs to present its first and final report of finding and recommendations with respect to "the rubber situation in Canada". All of which is respectfully submitted.

L.-PHILIPPE PICARD,

Chairman, Subcommittee No. 3.

Rubber Situation and Supply Stock Pile in December 1941

In order to pass judgment on the advisability of spending vast sums of money to finance the manufacture of synthetic rubber, we have to revert to December 1941 when the Japanese victories in the Far East cut us off from 90 per cent of our source of rubber supply. This brought about a situation responsible for the Government's policy on synthetic rubber production.

In our normal peacetime economy, prior to September 1939, Canada's average yearly consumption of crude rubber was 34,400 long tons. Additional demands of the war brought our yearly consumption in 1940 and 1941 to slightly more than 50,000 tons a year. In 1941 notwithstanding the fact that the manufacture of rubber products for civilian accounts was wholly stopped in the very early part of December we had on hand slightly less than 50,000 tons of rubber. We imported a considerable quantity during the year, and at the end of 1941 we had less than 30,000 tons of rubber, a quantity insufficient to take care of our normal peacetime requirements.

That constituted Canada's largest supply of crude rubber in its history and was due to a wise program of stock piling which had been in operation for some months.

In May 1940, Fairmont Company Ltd. was incorporated as a government owned corporation to deal in critical materials as authorized by the Minister of Munitions and Supply.

The main function of the Company was to purchase and store crude and synthetic rubber and to sell and distribute it to manufacturers on allocation of the Rubber Controller.

The primary reason, however, for the incorporation of the company, was to purchase and store a reserve supply of crude rubber of British origin to be available for use in the manufacture of military equipment. In view of the presence of enemy submarines and surface raiders in the Pacific in early 1940, it was thought prudent to have in Canada such reserve stock for use in case of emergency although at that time it was contemplated that the supply from the East would be completely cut off.

On the day following incorporation, the Company negotiated the purchase in Malaya of 1,040 tons of crude rubber and in July, 1940, a further 1,500 tons were purchased through New York rubber dealers. In October, 1940, an agreement was signed between His Majesty's Government in Canada, the International Rubber Regulation Committee and Fairmont under which the Government agreed to advance to Fairmont the money necessary to purchase up to 18,000 tons of crude rubber to be held as a reserve stock, and the International Rubber Regulation Committee agreed to permit the release of a sufficient quantity of rubber to accomplish this purpose. In this agreement, purchase price limits were set and a program for the release and sale of the reserve stock was formulated.

Currently with the signing of this agreement, agreements were entered into between Fairmont and thirteen Canadian rubber companies under which these companies agreed to continue their current purchases of crude rubber for their own account in sufficient volume to meet their current requirements and to maintain, either within Canada or in transit to Canada, until the end of the present war, a trade stock of crude rubber totalling 7,500 tons in all.

The rubber companies further agreed to store for Fairmont Company the 18,000 ton reserve stock to be purchased. In return, Fairmont Company agreed to purchase from each company that company's stock of rubber on hand at that time over and above its agreed proportion of the 7,500 tons to be held for its own account.

Each manufacturer agreed to extend his buying facilities to Fairmont free of cost for the purchase of the proportion of the 18,000 tons to be stored by that manufacturer.

Fairmont purchased rubber under this arrangement until early in August, 1941. It was then deemed expedient to bring the Company's buying policy more closely in line with that of Rubber Reserve Company and a rubber buying committee was appointed. This committee consisted of the president of Fairmont, acting as chairman, and five other members designated as buying agents for the company. These five members were chosen one each from the five large Canadian rubber companies having buying connections in the Far East. Four of these companies are subsidiaries of the American rubber companies which at that time were acting as buying agents for Rubber Reserve.

By Order in Council No. P.C. 7191, dated September 12, 1941, Fairmont was authorized to buy rubber from any person in Canada and it was ordered that no other person in Canada should buy rubber from anyone except Fairmont. Fairmont was also instructed to use every effort to increase the reserve supply from 18,000 tons to 50,000 tons by April 1, 1942, and to maintain the reserve at that figure unless otherwise directed by the Rubber Controller. Any and all rubber sold by Fairmont was to be sold at prices set by and on allocation of the Rubber Controller and subject to such restrictions as he should from time to time impose. At the same time the order instructed the minister to cancel the agreement with International Rubber Regulation Committee and instructed Fairmont to cancel the existing agreements between Fairmont and the rubber manufacturers.

At this time also the buying committee was instructed to employ rubber dealers to assist in securing our requirements in the Far East.

Naturally the outbreak of war with Japan on December 8 seriously affected the operations of the company, but despite the fact that there were heavy purchases of rubber awaiting shipment at Singapore and other far eastern points, the Government instructed the Company to continue to purchase rubber for shipment to Canada. It was felt that despite the possibility of loss through enemy action it was important to continue to buy rubber and have it available to load any and all vessels that might become available.

When the rubber producing areas of Malaya were overrun by the Japanese, it became necessary to purchase rubber wherever available. At this time, on representations of Fairmont, all import duties on rubber in Canada were lifted.

Fairmont importations of crude rubber from the Far East ceased in September, 1942, the last shipment arriving from Ceylon in that month. In April, 1942, Fairmont stocks of certain grades of crude rubber had declined to such a point that it became necessary to secure new supplies. By arrangement with Rubber Reserve Company purchases were made from them, at their current selling prices to their own manufacturers, of sufficient rubber to bring our supply in these grades to a five-month position ahead. Since that time we have made seven additional purchases from Rubber Reserve—that is drawing down on the American stock pile.

It is consoling to note that due precautions were taken from the start of the war to build a reserve stock pile of rubber and to control production and sale of rubber. This control of uses of crude rubber and the methods employed for the conservation of existing supplies will be the object of the next section of this report.

But these increased purchases of crude rubber prior to December, 1941, and these Control and Conservation orders could not in any way compensate for the unexpected loss of our crude rubber supplies from the Far East, and our stock pile in December, 1941, although the largest we had ever accumulated was, due to heavy war demands, dangerously inadequate.

It became imperative to spread the available supplies of crude rubber over sufficiently long a period to last until new substitutes were available and a great many steps were taken, some of the most important of which were:—

1. Reduction in uses of crude rubber to approximately 15 per cent of peace time volume for civilian purposes; (treated under conservation).
2. Collection of approximately 25,000 tons of scrap rubber throughout Canada for use in the manufacture of reclaim rubber as a substitute for crude rubber and increase in reclaim rubber manufacturing capacity; (treated under scrap and reclaim rubber).
3. Development of synthetic rubber plant at Sarnia.

Rubber Control and Conservation

In September, 1941, rubber was placed under control and became subject to administration by the Controller of supplies. Already the Fairmont Company had started to purchase rubber in the world market to accumulate a reserve stock pile of crude rubber. It soon became evident, even before Pearl Harbor that war necessities were such that the building of an adequate stock pile was partly dependent on the reduction in the consumption of rubber for civilian use.

Regulations were made effective reducing the quantity of crude rubber which the manufacturers in Canada could process for civilian purposes on sliding scales as follows:—

During October, 1941, 90 per cent of the average monthly consumption for civilian purposes during the 12 month period ending May 31, 1941; November, 85 per cent; December, 80 per cent; January, 1942, 75 per cent; February, 70 per cent; succeeding months, 70 per cent, or such percentage as fixed by the Controller from time to time.

This program was in effect when the Japanese attack on Pearl Harbor completely changed the situation. Three days after this attack, all dealings in new tires and new tubes were prohibited except by permit, and the following day all processing of crude rubber for civilian purposes was prohibited until January 2, 1942. These temporary freezing orders were replaced as rapidly as possible with more permanent regulations which resulted in a reduction of 85 per cent in the use of crude rubber for civilian purposes. The following table gives the outline of the extent to which the use of crude rubber for other than war purposes has been reduced by Rubber Control regulations:—

Average yearly consumption, prewar.....	34,400	long tons
1942 civilian consumption.....	5,031	" "
1943 " "	4,390	" "

By agreement with the Rubber Director in Washington, controls in both countries have been substantially parallel and the rubber stockpile has been treated as a U.S.-Canada reserve. The crude rubber stockpile has been reduced as follows during the past three years:—

Stocks as at Jan. 1/41-42.....	533,344	long tons
January 1, 1943.....	422,714	" "
January 1, 1944.....	139,594	" "

In the same years the following quantities of crude rubber were brought into North America:—

1941	1,029,007	long tons
1942	282,653	" "
1943	55,329	" "

On January 5, 1942, the first rationing order replaced the freezing order. It released tires and tubes in accordance with certain limiting conditions. Under these, no person could purchase any tire, casing or tube whether new, used, retreaded, recapped or repaired, unless it was essential to the operation of a vehicle owned by the purchaser, and unless he had no more tires, casings, and tubes but authorized dealers, dealers in scrap rubber, reclaim manufacturers, and retreaders were exempted from this restriction. No new tire or tube could be supplied for use on any vehicle other than one defined as an "eligible" vehicle.

Except for use by doctors, visiting nurses, ambulances, police and fire departments, and for trucks, buses, and some essential business and public services, no new tires, casings or tubes, other than those used on bicycles could be sold. Taxicab owners, department stores, milk, bread and coal companies, and all others delivering direct to the home, had to get their existing tires retreaded, buy used tires, or do without them altogether.

Those persons or organizations permitted under the order to purchase new tires and tubes, were required, at the time of making the purchase, to prove their need on a form authorized by the Controller, and to deliver a used tire or tube removed from a running wheel or from the spare tire rim. They were forbidden from accepting payment for the old tire.

On May 15, 1942, tire rationing was established and has remained in force until now.

To-day Order No. Rubber 4, as amended, provides the machinery for the rationing of tires and tubes. When Japan entered the war, existing stocks were frozen and rationed tightly until supplies of synthetic rubber were available for replacements. Limited quantities of synthetic rubber are now available for the manufacture of passenger and truck tires and tubes for essential civilian replacement. Because synthetic rubber takes longer to process, existing capacity cannot produce as many synthetic tires as it could natural rubber tires; capacity as well as materials therefore restricts supply.

The method of rationing tires is briefly:—

1. A group of eligible vehicles was described using the following basic points in determining eligibility and degree of essentiality:—

- (a) Are the services of the individual essential in time of war?
- (b) Is the vehicle really necessary for performance of the services, considering distance, other transportation service available, and the time element (particularly for skilled individuals and transportation of strategic materials and supplies)?
- (c) Is the vehicle driven 75 per cent or more in annum mileage to perform such duties?

2. Eligible vehicles were then described in broad detail and divided into priority classes as follows:—

Class A: (Section 5 of Order No. Rubber 4)

Includes practically all trucks (except those used in household delivery of products other than ice, fuel and in some instances milk); and passenger cars used by doctors, nurses, police, firefighting, health, sanitation and public utilities services, transportation of people and goods, and clergy serving two or more congregations or a rural area.

Class IB: (Section 6 of Order No. Rubber 4)

Includes largely the less essential passenger cars in their orders of essentiality. At present priority is given under Section 6 to war workers; company cars for transportation of personnel engaged in essential services; mail carriers; certain National War Finance workers; war production inspectors; agricultural experts, persons engaged in the essential processing of food and food products; certain lumbering activities; taxicabs; and to the extent that quota will permit,

as the group is very large; to farmers who have trucks. Covering farmers' needs is the greatest problem because half of the cars in Class B appear to be farmers' cars. Tires are spread around as equitably as possible, and over a period of time the needs are taken care of, although not always as promptly as desired. Other important individual cars in other paragraphs of Class B are taken care of when the essentiality is sufficiently clear.

Class C: (Section 7 of Order No. Rubber 4)

This class was set up originally to provide a third group of vehicles which were considered worthy of consideration for continued operation if possible. Eligibility for new tires and new tubes may be extended to this class if and when supplies are sufficient. At present they can secure only used tires or tubes if available. Under certain conditions horse-drawn vehicles, farm implements, tourists' cars, a car owned by a farmer who also owns a truck, most of the clergy, and salesmen in essential industry are the major groups included in this classification.

Vehicles without classification:

It has been estimated that approximately 450,000 out of 1,250,000 passenger cars, and about 200,000 out of approximately 250,000 trucks are included in Classes A and B. All other passenger cars, whether used for business or for pleasure, have eligibility for retreading services. All trucks, whether or not provided eligibility for new or used tires, may secure retreading services.

3.—Eligible users may purchase new tires and tubes when:

- (a) They have no suitable tires beyond those mounted on running wheels and the spare rim;
- (b) The tire to be replaced is no longer safe for operation with or without repair;
- (c) A tire ration permit has been approved.

4.—Number of tires available—Quota.

Since only a limited number of tires can be manufactured without interfering with war requirements, and this fluctuates according to the needs of war, a quota has been established to assure that no more tires than can be made available will be distributed, and that a reasonable reserve will be kept on hand against emergency requirements. This quota is broken down by various areas, according to registration and the experience of need.

5.—Method of issuing tire ration permits for purchase of tires and tubes.

Tire rationing officers have been established in 14 regional and 106 local offices of the Wartime Prices and Trade Board to receive applications, determine eligibility class under the tire order, and issue permits for the purchase of new tires and tubes up to the limit of their current quota and in the order of priority as outlined above.

Within the provisions of the Order and of the various letters of instruction on the application of the order, reasonable discretionary power is given to the Tire Rationing Officer because it has been found entirely impracticable to describe sufficiently in detail the greatly varying conditions under which tires are really needed for essential purposes.

In 1942, the allied rubber situation became progressively more serious and it was felt by the Department of Munitions and Supply that the regulation of rubber in Canada was important enough to justify an individual control on that one commodity and on November 2, 1942, the jurisdiction over rubber was removed from the Supplies Control and the new Rubber Control was established.

To complete the very important control of tire consumption it was provided that only the most essential civilian articles such as surgeons' gloves, belting, industrial tubing and waterproof footwear could be made.

Rubber reclaimed from scrap was under the same rigid control and was being utilized to as large an extent as possible in the making of essential war supplies. Some reclaim was being released for civilian use, but only for a restricted list of articles.

By the end of 1942, much had been done to substitute reclaim in whole or in part for crude in making many essential articles, including military tires and other war supplies. Rubber processors were under very tight control, and the rubber they used, whether for war or civilian manufacture, had to be processed according to mandatory specifications. No rubber was released, even for war purposes, except by permit, and no part of the civil allotment could be carried over by a manufacturer from one month to another.

No new passenger tires have been made from crude rubber since Pearl Harbor. In 1943, approximately 542,000 passenger tires were released to those qualifying under the Tire Rationing Order for new tires. These were all old prewar tires, with the exception of 314,000 tires which were manufactured during the year, chiefly from reclaim rubber, although a few were made from synthetic. Some of these reclaim tires were still in inventory at December 31, 1943. In 1944 the program provides for the rationing of 840,000 passenger tires practically all made from synthetic rubber. Manufacture and rationing of adequate quantities of truck tires for essential civilian use has been continued.

Your subcommittee has been supplied with all adequate information on the detail of tire rationing and all restricting orders, the number of tires rationed to each district of the Wartime Prices and Trade Board, and for each category of users, and there is ground for being highly satisfied with the apparent equity which governed the imposition of the restrictions and the application of the rationing orders.

Isolated cases may be found where citizens have suffered from lack of understanding of their eligibility on the part of ration officers, but such cases have been dealt with as efficiently and as promptly as possible by the head office.

Your subcommittee feels that the lack of competence or of diligence of some Wartime Prices and Trade Board officials in some minor cases accounted for the dissatisfaction of the public at times but that on the whole tire rationing has been an efficient and equitable job.

Conservation of Rubber by Army

Your subcommittee felt that at a time when the civilian population was limited to its bare needs in rubber consumption and was the object of strict tire rationing, it was in order to inquire what steps had been taken by the Canadian Army to limit and control the use of rubber and conserve its available supplies of rubber equipment and tires. The Director of Mechanization of the Army, supplied your subcommittee with considerable data and information on the manner in which the Army, conscious of the rubber shortage, had readjusted its requirement programs and passed strict conservation orders.

At the inception of the war, the army program called for the manufacturing of runflat tires. This type of tire, developed by the British shortly before the war, is now known in the U.S. Army as a combat tire and requires approximately twice as much rubber as the normal standard tire.

As soon as the tire situation appeared critical due to the impossibility of getting any more natural rubber, the Canadian Army overseas was asked to ascertain what vehicles could satisfactorily release runflat tires. As a result the number of such vehicles was reduced from approximately 150 types to half a dozen types, consisting of armoured cars, scout cars, reconnaissance cars and certain ambulances where flat tires would be very embarrassing and liable to cause difficulty. Up to that time vehicles used in Canada had been equipped with runflat tires, since the troops in Canada were training with the same type of equipment as that which was being used overseas for some of these vehicles. Immediately a change-over program was started, consisting of produc-

ing standard commercial type tires with ordinary all weather tread, cross country tread, and just the thin wall pneumatic tire which uses less than half the rubber used on the runflat tire. That change-over program took nearly a year to be accomplished. Approximately 10,000 vehicles had to be gone over, with the result that there were piled up in Central Mechanization Depot in London, Ontario, 40,000 runflat tires which had been taken off vehicles in Canada. They were replaced with tires requiring half the quantity of rubber. Those runflat tires which were piled up at Central Mechanization Depot have been diverted into the overseas stream. Vehicles are produced in Canada to-day equipped with runflat tires worn up to 50 per cent, and these vehicles are sent overseas so that the army will still be using those tires even though they have had half the life taken out of them in Canada, and will use them in combat. Surpluses beyond our own requirements have been disposed of to the motor companies to put on equipment going to the British armies or those of other countries under Mutual Aid. At the present time (May, 1944) there are still approximately 10,000 of these tires left. They are going out at the rate of 500 a day.

Up to the time when the rubber situation appeared critical rubber was also extensively used for rubber bogie wheels and rubber track pads on Ram tanks and a number of M-4 tanks in operation in Canada. These rubber track pads are used on the continuous chain that drives the tank. The experimental work on repairing bogie wheels and in repairing these tracks pads proved successful in Canada and experts were sent overseas to set up a plant in a Canadian base ordnance workshop in England where rubber track pads could be taken after they had been worn down and retreaded similarly to retreading an automobile tire.

At the present time no rubber tracks are used in Canada other than retreaded tracks, and in conjunction with the United States, Canadian army has developed a number of all-steel tracks.

One of them is a purely Canadian development known as the Canadian dry pin track, C.D.P. track. This is propelled on mounts being produced in Montreal.

As to the use of rubber on universal carriers, this was the subject of an exhaustive study, but the problem proved to be difficult.

The universal carrier is suspended on three bogie wheels running on a steel track, and even with natural rubber at the beginning some experiments and tests proved that tires only lasted eight miles. Fortunately the rubber companies in Canada were able to develop a rubber which should last up to a thousand miles. Work was done with natural rubber which would enable tires by changing compounds to last as much as 2,000 miles, but not in general use. It is about 1,000 normally. Synthetic rubber was tried on these three wheels, but unfortunately one of them is overloaded. That overloading condition creates heat, and heat being the deadliest enemy of synthetic rubber, it was found impossible to get into synthetic rubber on the bogie tires there. Synthetic rubber is used however in all the idler wheels where they do not take the load. Development work is going ahead on an all-steel wheel.

Other steps were taken by the army to reduce the rubber content on motor-vehicles. Rubber mud flaps as well as rubber strappings on top of tarpaulins were eliminated and rubber strappings were replaced with canvas. Foam rubber cushions were removed from seats. Rubber crash pads to protect the men's heads from crashing against the top of the car when riding in rough territory were removed. Hose lines throughout the hydraulic brakes and air lines, etc., were all checked and have all been changed to synthetic rubber wherever possible. Natural rubber crash padding in tanks was eliminated and afterwards had to be replaced with a synthetic known as koroseal.

Considerable evidence was given to the subcommittee concerning the Special Canadian Army Routine Order dealing with the use of rubber and more particularly the maintenance and care of tires. Your subcommittee was

satisfied that all due precautions were taken by the directorate of mechanization to insure the proper use of tires and their conservation. Enforcement of these orders come especially under the Branch of the Adjutant General. The chain of responsibility goes down, through the Unit Commanders, to the N.C.O. and drivers. Great care was taken for the policing of the army as concerns the application of these orders.

A typical order of that type was the following:—

All commanders will ensure that officers and N.C.O's are instructed that all cases of speeding and negligent operation of Department of National Defence vehicles should be handled as follows:—

- (a) The number of the car and if possible the name, number and unit of the driver should be ascertained.
- (b) Where the circumstances so warrant the driver should be placed under close arrest and care taken that the vehicle is returned to its unit or to other proper custody.
- (c) Where arrest is not necessary the driver should be warned to adhere to regulations.
- (d) A complete report should be made to the Officer Commanding the Unit or to other proper authorities.
- (e) All personnel charged with speeding or reckless operation of a motor vehicle shall be immediately grounded and placed under open arrest by the Officer Commanding the unit until such time as the charge is disposed of.

The subcommittee has been given a considerable number of exhibits of routine orders dealing with the matter; all of which pointed out the extreme emergency of conserving rubber and setting in detail the precautions to be taken therefor.

Provision is also made for the salvage of all rubber no longer useful.

The civilian population may rest assured that all necessary steps have been taken by the army authorities so that the sacrifices that they have been asked to make for conservation of rubber are more than duplicated in the army.

Army activities concerning the conservation of rubber can be summed up as follows:—

An extensive tire maintenance program has been formulated by the directorate of Mechanical Maintenance which has a two-fold purpose:—

- (a) To prolong the life of tires presently in use by means of preventive maintenance, thereby reducing the demand on the rapidly diminishing crude rubber stock pile.
- (b) To recondition worn and injured tires through recapping and repairing, thereby returning them for further service.

The execution of proper tire maintenance in the field is under the supervision of officers and other ranks skilled in tire maintenance. Briefly this program is as follows:—

- (a) Tire maintenance officers and other ranks have been allotted to each military district according to vehicle concentration. The duties of this personnel are educational and directional and they are responsible for the inspection of each tire on every vehicle on their particular area. This includes all wheeled vehicles (trucks, passenger cars, jeeps, trailers, etc.), tracked vehicles (bogie tires and rubber track pads) and artillery gun carriages mounted on rubber tires. Inspections at each military unit are carried out monthly.
- (b) Two special inspection report forms have been designed; one being a tire report form for use by the tire inspector to record the condition of each tire, the other is a tire summary which summarizes the recom-

recommendations for all tires in a unit requiring attention. This tire summary report is prepared in triplicate and distributed as follows:—

- one to Unit Commander,
- one to Tire Maintenance Shop,
- one to N.D.H.Q.

This distribution is to insure control of this activity. The summary report of the officer is considered an authorization and his recommendations are carried out immediately.

- (c) Twenty-eight tire maintenance shops have been established with sufficient equipment to allow for the execution of tread and sidewall spot vulcanizing, vulcanizing of tubes and the adjusting and repair of valve stems. Physical inspection of casings is properly carried out by the use of power spreaders.
- (d) The tire maintenance shops co-operate with all units in the various areas regarding the removal, installation and processing of tires and all other relevant questions. This includes road service which is an important factor now that only one of every five vehicles is issued with a spare tire.
- (e) Vehicle tire gauges are regularly tested for accuracy. To this effect each tire has a master gauge that is used for that purpose only.
- (f) The location and telephone number of the tire shops are publicized in camp orders and brought to the attention of all officers commanding units.
- (g) Tire inspectors are constantly striving to obtain the maximum tire life from every casing. They are alert for evidences of the following improper tire operations—"Over and under inflation, external injury, evidence of internal injury distortion, improper mating of duals, misalignment, heel and toe wear, bleeding, missing valve caps, improper fitting of chains, cold patching of tubes, use of tire boots or shoes and failure to rotate tires at prescribed mileages."

3. (a) The importance of the drivers' responsibility in the tire conservation program has been stressed, as therein lays the basic essential of tire conservation, that is, the preservation of tires during the period of wear on the original tread.

(b) To this effect a tire maintenance pamphlet was published in 1942 outlining the general tire operating conditions within the drivers' control and containing information and instructions on the points referred to in paragraph

2. (g) above. Distribution was made to all officers, N.C.Os., mechanics and drivers of wheeled and tracked vehicles.

(c) A revised tire inflation table was drawn up based on maximum load capacity for general operations in the field, and correct tire pressures were stencilled on the inside door panel of every vehicle.

4. All tires on Canadian Army vehicles are recapped several times. To ensure that tires will stand several recaps, it is essential that the equipment used must not subject the tire sidewalls to excessive heat. A survey was made and inventory taken of all recapping and retreading plants in Canada and it was discovered that only a limited quantity of this type of equipment was available. It therefore became imperative for the army to install and operate recapping and repair plants at C.M.D., London, Ont., Camp Debart, N.S., and Vancouver, B.C. At the present time the London and Debart plants are in operation. The Vancouver plant is in the process of being installed and should be in operation by the end of July, 1944.

Regarding the policy of tire maintenance followed by the Canadian Army overseas, it is our understanding that it is closely associated with that of the British Army and that British facilities are used.

Motor Vehicle Control

In the course of its review of the rubber situation in Canada, your sub-committee has seen fit to look into the administration of the Motor Vehicle Control because, although it has no direct relation to rubber allotment or tire production, it has an indirect connection with the tire supply problem inasmuch as the Motor Vehicle Control has to do with the production and distribution of motor vehicles.

Activities of this office further came within the purview of our reference in connection with the study of the estimates of the Department of Munitions and Supply.

The functions of this control are to establish manufacturing quotas for motor vehicles and motor vehicles replacement parts, to provide for the conservation of motor vehicles and parts, and to issue permits for the purchase of those items of which it permits the manufacture. It instructs manufacturers what to manufacture and it supervises the distribution in accordance with the actual requirements of the country to keep essential transport moving.

The problem confronting the Motor Vehicle Controller and the original set up of the control can be described as follows:—

1. Analysis of the problem and planning:

The automobile industry is one of the large industrial activities in Canada with millions of dollars invested in plants and equipment.

Supplies and materials are secured from hundreds of subsidiaries and allied industries that have large investments in plants and employ thousands of personnel.

The finished products of the manufacturers are distributed through a nation-wide organization of dealers and distributors, each having large investments in plant and equipment and employing a corresponding number of personnel to carry out the distributing of the products and the servicing and repairing of the product in the hands of the consumer.

Because of the type of equipment required to meet the demands from the armed forces, it was a predetermined fact that the facilities of the automobile manufacturers and their allied industries would be required to produce war supplies to the maximum capacity of their plants.

In the planning of the program for diverting the facilities of the industry from the production of civilian requirements to the production of war supplies and the maintenance of civilian requirements, three major problems had to be dealt with in addition to the many other problems which presented themselves. Those problems were:—

- (a) Rate at which the conversion would be made to conserve material, manpower and manufacturing facilities.
- (b) Providing of war supplies as quickly as required and as economically as possible.
- (c) Provision for civilian requirements, commensurate with production of war supplies.

The industry as a whole was vitally interested in the method of dealing with each problem, with special interests subdivided under the following groups:—

- (a) Motor vehicle manufacturers.
- (b) Parts and accessory manufacturers and wholesale suppliers.
- (c) Dealers or distribution organization.

The Motor Vehicle Controller, therefore, formed three advisory groups under each of the above categories, consisting of the heads of each of the companies concerned, or the appointed directors of the organizations concerned. These groups were officially recognized as Advisory Committees and were so appointed. (For detail—see Schedules (3), (4) and (5).)

The committees met at the request of the controller from time to time, during which meetings all problems pertaining to their particular activity were outlined and discussed.

The advantages of working with committees are here outlined:—

- (a) Most of the difficulties in connection with any plan could be solved before inauguration of the plan.
- (b) Securing of sound advice and frank discussions before making final decisions.
- (c) Knowledge of the problems by each of the representatives permitted them to transmit to their respective companies, or members of their associations the proper interpretations of any actions taken or restrictions necessarily enacted to accomplish the results.

In general, the activities and responsibilities of the Motor Vehicle Control resolved themselves into various categories and the subsequent actions taken in each of the classifications require that they be outlined in the following order:—

- (a) Restrictions on production of passenger motor vehicles and the program established to meet essential civilian requirements.
- (b) Restrictions on production of commercial motor vehicles and the program established to meet the demands of essential civilian requirements.
- (c) Control of production, distribution and sale of motor vehicle replacement parts and accessories to meet civilian requirements.
- (d) Supply of motor vehicles and replacement parts for essential civilian requirements in foreign countries.
- (e) Price control of motor vehicles and motor vehicle replacement parts.
- (f) Activities for conserving motor vehicles, motor vehicle replacement parts, and conservation of critical materials in the production of motor vehicles and replacement parts.
- (g) Manpower required for the servicing of motor vehicles in operation.
- (h) Miscellaneous problems, and subsequent action taken to solve the difficulties.

The next statement deals with the restrictions on the production of passenger motor vehicles; that is, vehicles carrying less than ten passengers.

One of the first problems facing the controller was brought about due to the fact that the Minister of National Revenue desired to conserve United States exchange, and, under the War Exchange Act of 1940, established a restricted quota under which passenger automobiles might be imported into Canada. The result of such restrictions tempted some United States manufacturers that had no manufacturing plants in Canada to establish and build passenger cars in Canada to supply the market for which they formerly imported cars.

A development such as this would require the supplying of additional materials and manpower not previously employed.

To prevent such an activity, the Motor Vehicle Controller issued an order No. 001, dated March 23, 1941, to the effect that any person not making automobiles in Canada on the 2nd day of December, 1940, could not establish a plant and make more units in Canada than the quota as established by the Minister of National Revenue. For details—see schedule (6).

At this period the controller was also confronted with two major problems—

- (1) the establishing of a sound and fair basis of restricting production of passenger cars for civilian requirements in order to make available manufacturing capacity for war materials, prevent a "war boom," and encourage the manufacture of the lower priced cars at the expense of the higher priced

automobiles. (2) The co-ordination of restrictions covering the importing of vehicles by manufacturers established in Canada, with the production by the same company, of vehicles in Canada, and for which components were secured from United States source, having as its objective the conservation of United States exchange in accordance with the War Exchange Act wherein the quotas covering imported cars were established from time to time by the Minister of National Revenue.

The first step in solving the problem was taken by issuing an order that all manufacturers of passenger motor vehicles in Canada on and after May 31, 1941, must secure a licence from the controller covering such manufacturing activity, and further to furnish the controller with information, reports, and returns as he may require from time to time. *See schedule (7).*

The second step was approached by securing from each manufacturer a record of the number of passenger vehicles segregated by models which each manufacturer had produced during a reference period April 1 to December 31, 1940, together with the dollar value, in American funds, of the components secured from the United States for each model.

The total value of components imported from the United States was then computed in United States funds and converted into Canadian dollars at a premium of 11 per cent. The total amount in each case was converted to points at the rate of one point for each dollar expended and this was established as total "production points" for each manufacturer.

After a study of the market requirements together with the requirements indicated by the armed forces, it was decided that the civilian production should be restricted during the period April 1 to December 31, 1941, by 20 per cent of the number that was produced in the same period during 1940 and an order was issued by the controller to the effect that during the period April 1 to December 31, 1941, any manufacturer could produce passenger vehicles in such numbers that would absorb not more than 80 per cent of the total production points as established for such manufacturer during the period April 1 to December 31, 1940.

The order further permitted any manufacturer who, during the production period, had not imported automobiles to the full extent of the quota as established by the Minister of National Revenue to add the unused portion in dollar value to his total quota of "production points" for the purpose of producing Canadian made vehicles. Details of the order are set out in schedule (8).

The program covering the production of passenger vehicles for the calendar year 1942 was formulated early in July 1941 following a detailed study by the controller of the Canadian requirements, the supply of materials, the available manufacturing capacity and the requirements of army supplies.

Orders were issued that manufacturers of passenger vehicles in Canada must restrict production during the calendar year 1942 to such an extent that not more than 50 per cent of the production point as set up for the calendar year 1941 for such manufacturer may be used, however, providing that, should the manufacturer not use the total number of points established for him to cover the importation of special passenger vehicles, the unused points may be added to the points as allotted and used as a credit to produce additional cars in Canada.

The effect of the restrictions overall was to reduce total production in 1942 by 50 per cent of the 1941 production, thereby conserving material, manpower and manufacturing capacity and retard the importation of completed models which resulted in the conserving of United States exchange. (*See schedule 9 for details.*)

In December 1941 the overall Canadian war production programme had been so developed that it could be determined that, in order to carry out the

programme, the production of passenger vehicles must be discontinued as soon as it was economically sound to do so.

A complete study was made of the inventory on hand to produce passenger cars and a meeting was called by the controller of the manufacturers in Canada, and instructions were issued to the effect that parts already fabricated should be assembled into passenger automobiles, the assembly to be completed by March 31, 1942, or as soon thereafter as possible (See schedule 10) and plant capacity, so released, was to be converted as quickly as possible to the production of war materials.

The controller, anticipating the future requirements of passenger vehicles for emergency and essential purposes, ordered that four thousand five hundred units be held by the manufacturers for such purposes. Instructions for the storing, financing and release of the units were to follow as soon as the details could be developed.

A procedure covering the release of a new unit for the reserve "pool" to essential users was developed and the information publicized. It follows here in short form:—

(1) Application forms were distributed to all dealers in Canada, thereby making such forms available to all citizens.

(2) The consumer, if his requirements for any vehicle seemed to warrant it, completed the application forms, setting out the purpose for which the vehicle was required and submitted it to the Motor Controller.

(3) After analysing the application and the duties for which the vehicle was required, the controller referred it to the director-general, controller, administrator, or other government official, under whose jurisdiction the particular activity came, for recommendation as to the necessity of the vehicle for that activity, together with the request for any other information available that might have a bearing upon the granting of a permit for the release of a new unit.

(4) If a request covered a new unit which was to replace a vehicle now being operated by the applicant but considered by him to be no longer serviceable, provisions were made in the application form to have two qualified mechanics examine such a vehicle and a report of their findings made in writing on the application form.

(Qualified mechanics for such purposes were appointed with the assistance of the Federation of Automobile Dealers in every town and city in Canada and to function without expense to the government.)

On the approval of any application, a permit to purchase is issued to the applicant. This permit allows the applicant to purchase the vehicle, which he selects, from the authorized dealer of his choice.

A record was set up in the office of the Motor Vehicle Controller showing the make, model, serial number of every car held in the "pool" together with the name and location of the dealer storing the car.

The permit to purchase as issued to the applicant is presented to the dealer from whom purchase is to be made and the dealer, in turn, uses this permit for clearing the unit with the finance company and for making financial settlement with them.

The finance company completes the permit authorizing the release of the unit and forwards one copy to the Motor Vehicle Controller. This indicates that the unit has been released and that the government has been released from their obligation to the finance company.

Further activities of the Motor Vehicle Control concerned the conservation of motor vehicles, motor vehicles replacement parts and the conservation of materials in the production of motor vehicle and replacement parts.

In that connection an order was issued prohibiting the manufacture of white wall tires as well as the use in newly assembled cars of bright work, metal finish or body trim containing copper, nickel, chrome or aluminum. Spare tires were eliminated from any motor vehicles delivered on or after December 15, 1941. A further order prohibited the use of rubber and metals in the making of motor vehicles accessories except those accessories required by law with a view to effect conservation of materials, conservation of manufacturing capacity and conservation of motor vehicles now in operation and required to maintain the transportation system.

There was initiated a program of reconditioning motor vehicle parts and of acquainting the public with the interchangeability of parts between various makes and models of motor vehicles.

Information on maintenance procedure was widespread with a view to training new men in the repairing and inspection units or parts.

Another objective of motor vehicle control orders was to economize the manpower required for the servicing of motor vehicles in operation.

It is interesting to note that during a period extending over thirteen years, there had been an apparent average yearly total of 61,063 passenger vehicles and 10,839 commercial units scrapped. The problem to be solved was to reverse, if possible, this trend and to maintain these vehicles in operation.

The order that all newly delivered trucks be painted khaki green was mainly due to that effort in saving manpower hours.

In April 1942 a strict control was applied to the production and distribution and sales of motor vehicle replacement parts for civilian use. The production of non-functional parts was prohibited and quotas were established which permitted production of functional parts for passenger vehicles and light trucks at the rate of 70 per cent of the production rate during the year 1941 and, for medium and heavy trucks, passenger carriers, off-the-highway motor vehicles and motorized fire equipment, at the rate of 125 per cent of the production rate as produced in 1941.

This is a differential of 70 per cent for the passenger vehicles and 125 per cent for the trucks and other commercial vehicles. That was done on the basis generally that the passenger vehicle mileage was being severely restricted by the gasoline order and there would not be the necessity for so many spare parts, whereas truck parts would increase.

Your subcommittee got a report on the distribution of permits to large categories of users but a report was not available of the number of permits granted in each province or in each district of the Wartime Prices and Trade Board as had been supplied for tires by the Rubber Controller. Your subcommittee is of the opinion that a better picture of the permit distribution would have been available to the public had it been supplied with a more elaborate detail of categories of users to whom permits were granted and a report as to the number of permits supplied to each district of the Wartime Prices and Trade Board.

The subcommittee was told that there were no records existing of distribution by provinces or districts nor was there a breakdown of items to determine how many had gone respectively to mining, oil, lumber, farming, etc., and that the gathering of such data would require considerable work and time. Repeatedly the subcommittee was told that the controller's office had worked "not on distribution generally but on the essential features of each case" as determined by the permit analysts.

Available figures show that the building program of new truck units was split up among the Motor Vehicle manufacturers as follows:—

	September, 1941		1943 and 1944
	Under 10,000 lbs. gross rating	10,000 lbs. and over gross rating	
Ford.	28.6	30.5	29.5
General Motors	29.8	29.5	29.5
Chrysler.	23.4	20.0	22.0
International.	18.2	20.0	19.0

The distribution was given to the subcommittee in the following manner:—

MOTOR VEHICLE CONTROL

TRUCKS AND CARS RELEASED BY MOTOR VEHICLE CONTROL

January 1, 1943, to December 31, 1943

	Trucks	Trailers	Buses	Cars	Snow- mobiles	Motor- cycles
<i>War Work</i>						
Independent Companies on Defence Work. . .	282	23	..	19	..	..
Government Companies on Defence Work. .	6	3	..	1	..	..
Department of National Defence.	25	1	..	32	..	..
Royal Air Force Ferry Command.	3	..	..	1	..	..
United States Projects.	1	..	..	..	2	..
Construction: Roads, Docks and Airdromes. .	181	8	..	4	..	..
Other Direct War Work.	44	10	..	29	..	..
Other Indirect War Work.	86	3	..	3	1	..
Total.	628	48	..	89	3	..

Essential Services

Medical Services, A.R.P., Red Cross and Public Health	72	..	..	202	23	..
Police.	17	..	..	311	..	15
Postal.	54	..	..	2	7	..
Public Utilities	237	6	..	12	1	2
Communications.	5	..	..	2	..	..
Freight Transportation	358	11	..	..	1	..
Bus Operators	1	1	255	5	20	..
Mining, Lumbering and Oil.	1,507	77	..	42	13	..
Government Departments (other than National Defence)	121	4	..	100	1	..
Other Essential Civilian Services.	1,280	1	..	39	13	..
Newfoundland Government	12	..	..	2	..	..
Foreign Government . . . . .	..	..	..	1	..	..
Air Transportation	10	..	..	..	..	..
	3,674	100	255	718	79	17
Grand Total.	4,302	148	255	807	80	17

Applications received, January 1, 1943, to December 31, 1943: trucks, 7,710; trailers, 172; buses, 300; snowmobiles, 93; cars, 923; motorcycles, 17; total, 9,215.

MOTOR VEHICLE CONTROL

TRUCKS AND CARS RELEASED BY MOTOR VEHICLE CONTROL

January 1, 1944, to March 31, 1944

	Trucks	Trailers	Buses	Cars	Snow- mobiles
<i>War Work</i>					
Independent Companies on Defence Work.	28	4	..	7	..
Government Companies on Defence Work.	1	..	..	4	..
Department of National Defence.	4	..	..	..	..
Royal Air Force Ferry Command.	2	..	5	..	..
Construction: Roads, Docks and Airdromes.	74	..	..	3	..
Other Direct War Work.	105	2	..	19	..
Other Indirect War Work.	64	..	..	..	..
Total.	278	6	5	33	..

Essential Service	Trucks	Trailers	Buses	Cars	Snow-mobiles	Motor-cycles
Medical Services, A.R.P., Red Cross and Public Health.....		30	..	..	123	2
Police.....	4	..	..	..	125	..
Postal.....	22	..	..	..	3	..
Public Utilities.....	52	4	..	..	10	..
Communications.....	10	..	..	..	2	..
Freight Transportation.....	110	5	..	..	..	1
Bus Operators.....	520	27	..	55	..	4
Mining, Lumbering and Oil.....	..	..	..	..	28	2
Government Departments (other than National Defence).....	41	2	..	..	44	1
Other Essential Civilian Services.....	1,155	17	..	..	77	8
Air Transportation.....	25	..	..	..	2	..
Total.....	1,969	55	55	414	18	
Grand Total.....	2,247	61	60	447	18	

Applications for permits received: trucks, 5,849; trailers, 66; buses, 63; cars, 632; snow-mobiles, 20; total applications received, 6,650.

(The above figures include applications for United States Government Exemption Permits covering: 25 trucks and one trailer.)

Applications for export: 89.

Export production authorized for 79 trucks ex. quota.

The whole question of granting permits for purchase of new trucks was carefully surveyed by the subcommittee as it had been the object of much speculation by the public.

It was stated by the Deputy Controller that all the decisions on the applications submitted to his office were made according to the essentiality of the truck applied for in the maintenance of necessary transport, but that no specific rules existed outside of the principles which were the maintenance of essential transport in the country.

The matter can be better summed up by quoting part of the evidence:—

The CHAIRMAN: What we want to find out is whether there is any rule of procedure or definition in that regard. It would appear that you have not anything very definite to guide you.

Mr. BIRCHARD: No, we have something very definite to guide us.

The CHAIRMAN: You have some regulation or some rule to go by, or is it just the case that you judge each application on its merits and use your own judgment?

Mr. BERRY: These are the instructions issued under the heading, "Proof of essentiality":—

On receipt of this application, the motor vehicle controller, in the case of trucks, chassis, trailers, or passenger cars (not including taxicabs), and the transit controller in the case of buses or taxicabs, will take such action as may be necessary to determine that the motor vehicle applied for is *absolutely essential and required in the interests of the war program*—such as referring the application for investigation and review to a controller, administrator, director-general, or other government official or agency having jurisdiction over the activity, industry, or operation for which the motor vehicle is required.

The official or governmental agency to whom the application may be so referred shall promptly return same with certificate No. 3, attached to the form, duly completed, stating clearly reason for approval or disapproval as the case may be—

(a) to the motor vehicle controller, if the application covers trucks, chassis, trailers, or passenger cars but not including taxicabs;

- (b) to the transit controller, in the case of applications relating to buses or taxicabs. The transit controller will, in turn, forward such applications (including all forms and data as called for in paragraphs 1 and 2 of these instructions) with his recommendation, to the motor vehicle controller for clearance.

When the motor vehicle controller (or the transit controller) in regard to applications covering buses and taxicabs has determined that the unit is essential, it shall be the duty of the Motor Vehicle Controller to secure such other mechanical specifications and/or further details as he may consider necessary before issuing a permit for release or for the manufacture of the motor vehicles in Canada or before approving same for importation from the United States.

No clearances for importations from the United States will be given nor will a permit for release or for the manufacture in Canada of passenger cars, trucks, chassis, trailers, or buses be issued by the Motor Vehicle Controller until such time as he has secured, in the manner above stated, complete details proving the essentiality of the requirements. I do not think, Mr. Chairman, that quite answers the question in full.

Mr. FACTOR: It does, to this extent, that there is no definition of essentiality. It is left entirely to the judgment of the controller under the procedure.

Mr. BERRY: I think that is a fair appreciation of the situation.

The CHAIRMAN: You mean the controller, or whoever his power is delegated to, decides and determines whether or not the application constitutes an essential application or an application for an essential user, and it is up to the controller or to his delegates to determine the essentiality?

Mr. BERRY: Yes.

The CHAIRMAN: It is not specially defined but is rather left open for determination by the controller or his representative?

Mr. BERRY: That is it.

Mr. BIRCHARD: Except that he must be an essential user.

The CHAIRMAN: Yes, but the word essential user is left for determination by the controller or his delegates.

Mr. BIRCHARD: There are certain yardsticks set up on that in connection with the rubber orders and the gasoline and fuel orders in that a man who cannot qualify so far as the rubber controller is concerned for tires, or for high category of gasoline does not get a car.

The CHAIRMAN: But you do not have a set of rules—one, two, three—but you do go so far as to say that if a man does not qualify in synthetic category B, for instance, he would not be considered an essential user. Determination of the term essential or essentiality is left to the appreciation of the controller or his delegate more or less. I am not protesting the statements that have been made in this regard. I am merely trying to get before the committee the rules that guide the determination of the essentiality or otherwise of an application.

From the evidence it is therefore very difficult for the subcommittee to arrive at any conclusion as to the operation of this phase of the Controller's work, except as to hope that the decisions of the controller and his assistants were fair and unbiased and that complaints heard at times in the public were not justified.

The subcommittee recognizes the difficulty and scope of the task of granting permits when the Motor Vehicle Controller has available for distribution less than half the number of trucks for which application is made, and while it does not make any definite recommendation as to how this condition of uncertainty in the public mind can be removed, the subcommittee does recommend

that the officials in charge should, as far as possible, establish definite rules to determine the basis on which truck purchase permits will issue.

Scrap and Reclaimed Rubber

The Canadian public have responded splendidly to the salvage campaigns especially such as concerned scrap rubber. After having taken an interest in the question, Canadians inevitably became critical when they saw scrap piles in Toronto, in Montreal where the product of salvage drives seemed to lay dormant and unused. Your subcommittee considered it advisable to look into the matter in order to be able to present the true facts of the scrap rubber story.

In early 1942 when all sources of crude rubber other than the American stock pile were cut off from Canada it was decided that all available scrap rubber should be collected. To accomplish this the Scrap Rubber Division of the Department of Munitions and Supply was organized in March, 1942. Its function was to promote the collection of scrap rubber and it was arranged that Fairmont would buy the resultant collections at fixed prices F.O.B. any point in Canada in carload lots. It was believed that this policy of equalizing prices at car loading points across Canada would stimulate collection but it was recognized that it would result in a substantial financial loss to Fairmont. The objective then set was 20,000 tons by March 31, 1943.

It was soon apparent that the arrangement outlined above, chiefly on account of divided authority, would not work satisfactorily and on July 1, 1942, Fairmont took over the functions of the Scrap Rubber Division of the Department of Munitions and Supply.

Fairmont immediately established a scrap promotion division which in conjunction with National Salvage Campaign and the Canadian Secondary Materials Association has since energetically promoted the salvage and collection of scrap rubber. Through the activities of Fairmont field men in Ontario, Quebec and the Maritime Provinces, the co-operation of National Salvage men in all parts of the country, the Post Office Campaign in Ontario and Quebec, the Wardens Campaign in the counties of southern Ontario, the promotion work stimulated by Fairmont Company, by Canadian Rubber Companies, together with drives by voluntary salvage corps in practically all centres of Canada as well as the effort of scrap dealers, Fairmont had received, up to February, 1944, 45,167 tons of scrap rubber of all kinds.

Scrap rubber purchased by Fairmont was at first sold to reclaimers in the United States as well as in Canada. This procedure was in keeping with that followed commercially and was considered desirable to ensure the continued flow of reclaim rubber purchased by Canadian processors in the United States. When the Rubber Reserve Board of the United States, on account of heavy collections in that country, closed the border to Canadian scrap rubber, it was deemed advisable by Fairmont to open two large storage yards. These yards were used to store collections which Canadian reclaimers had not the space to accommodate.

Because of the imperative need for technical knowledge and experience in operating these yards, Fairmont arranged with H. Muehlstein & Co. (Canada) Limited to operate the yard in Montreal and with Federated Rubber Graders Limited to operate the Toronto yard—both operations on a strictly no-profit basis to the operators. Experience has proven the arrangement to be a very satisfactory one for Fairmont.

One of the principal reasons for initiating the scrap rubber campaign was to insure a continuing supply of reclaimed rubber until the supply of synthetic rubber was adequate and also until its use as a substitute for crude rubber could be developed. The supply of crude rubber was at that time definitely diminishing and it appeared certain that it would continue to diminish.

In view of the fact that substantial progress had been made by the rubber industry in substituting synthetic for crude rubber in a wide range of products by January, 1944, Fairmont was directed by the Rubber Controller on February 3, 1944, to cease all purchases of scrap rubber as of February 15, 1944, and to proceed without delay to dispose of its inventories.

In May, 1944, Fairmont had in hand sales orders covering some 10,500 tons for shipment up to the end of September of which approximately 1,000 tons had already been delivered. The balance of their inventory amounting to about 10,000 tons will be disposed of as soon as opportunity offers. Therefore during the period of its dealing in scrap rubber, Fairmont turned to processors of reclaimed rubber about 35,000 tons of scrap rubber and had only 10,000 tons not yet contracted for in May, 1944.

It is interesting to note that 650 to 700 tons of scrap rubber are needed to make 500 tons of reclaim.

It appears that the scrap rubber salvage drives were of great benefit to the solution of the rubber problem because of the scarcity at that time of crude rubber, the quickly vanishing stock pile and the indefinite outcome of the synthetic rubber production plan.

Public interest has been served by this scrap rubber accumulation and the stock piles at Toronto and Montreal are the leftovers of a product that filled a very necessary need in our war program. It might be suggested that proper signs or boards be put up on fences erected at the Montreal and Toronto yards to acquaint the public with the nature of these yards and thereby avoid misunderstanding of the facts.

Reclaim rubber is processed in Canada in two plants operated by the Dominion Rubber Company and the Gutta-Percha Company with a productive capacity of 7,000 tons a year. A similar amount of reclaimed rubber is imported from the United States annually.

The scrap is made into reclaimed rubber by grinding, treating the ground mass to dispose of foreign materials such as cotton fibre and adding fillers and plasticizing agents to make the product easier to handle. The scrap is not reduced to the form of crude rubber, but the reclaimed rubber contains most of the chemical and filler which was originally compounded with the crude. The chief problem in increasing the facilities for reclaiming scrap rubber, once the scrap has been collected, is the removal of fabric content from the scrap.

It is an admitted fact that rubber reclaimed from scrap is not a 100 per cent substitute for crude rubber and has approximately 50 per cent of the wearing qualities of the latter. Reclaimed rubber has always been used in the past mixed with crude in lower priced tires and other manufactured goods. It was thought at one time that its use in the manufacture of tires would be substantially increased. Other hopes entertained by the public were that reclaim tires could be supplied in vast numbers for civilian use. Considerable quantities of reclaimed rubber were used for the manufacture of industrial rubber goods and a certain amount is used along with crude or synthetic in the production of tires but the advent on the market of synthetic rubber considered highly superior to reclaim, made it inadvisable to carry a considerable program of reclaim tire production. The most important reason however was that the facilities for producing tires were already used to capacity in the production of crude and synthetic rubber tires for army and civilian use.

The Rubber Controller and other witnesses are of opinion that if more tires were made of reclaim rubber, as was suggested, that many less would have to be made from synthetic rubber because manufacturing facilities are already used 100 per cent. Since tires made of synthetic rubber are considered better by all experts than tires made of reclaim rubber the present policy appears to be justified.

However in the manufacture of all rubber products at the moment 40 per cent of reclaim rubber is used, 40 per cent of synthetic and 20 per cent of crude rubber. Of the total rubber consumption, 60 per cent goes into the manufacture of tires and 40 per cent for other rubber goods. As there is very little reclaim rubber going into tires at present it is apparent that a considerable amount of reclaim is going into the production of other rubber goods, which was done in the last two years; whenever possible.

In conclusion it may be said that while at one time the building of stock piles of scrap and reclaimed rubber was of the utmost necessity changing conditions have made it inadvisable to carry on that policy inasmuch as a better product, synthetic rubber is now available due to the efficient operation of Polymer Corporation and its component units.

Domestic Rubber Plants

Considerable interest has been displayed in reports coming from the U.S.S.R. and the United States as to the possibility of producing natural rubber from many plants other than hevea which until now is the tree that has given rubber to the world.

Hevea has always grown in a wild state in the jungle regions of the Amazon basin, and its discovery in Latin America opened the door to revolutionary developments in our economic life. Transplantation in the Far East, where more than 700,000,000 trees were in production in 1941, was due to special climatic conditions that cannot be duplicated in our country. The United States Department of Agriculture has carried extensive experiments on the hevea tree in the Western Hemisphere and has made surveys in fifteen countries of suitable locations for plantations.

It is satisfactorily established that Canada could never be self-sufficient in natural rubber coming from the hevea tree.

Guayule, a rubber-yielding shrub, has for a while given hope of successful exploitation in the United States. It grows in Texas, Arizona and New Mexico in the United States; however, the largest development up to now has been in Mexico from where the United States have imported about 4,000 tons annually. It is beyond doubt that it cannot be acclimatized in Canada.

Experiments in Canada have centred on milkweed, goldenrod and Russian dandelion.

Fanciful stories circulated respecting the neglected sources of natural rubber left unexplored by the Canadian authorities prompted your subcommittee to get all possible data on the matter from the Botany and Plant Pathology Division of the Department of Agriculture, from the Division of Applied Biology, and from the Rubber Laboratory of the National Research Council.

Canadian research on native grown rubber was organized on a co-operative basis during the early spring of 1942. The broad program involved several government departments and a university. The Botany Division of Science Service, Department of Agriculture, was responsible for a survey of native plants for rubber content and for production of rubber-bearing plants. Laboratories of the National Research Council assumed responsibility for development of extraction methods and for quality and blending tests on the rubber.

Plant Investigation

The principal surveys of American plants for rubber content were made about the time of the war of 1914-18. These surveys dealt largely with plants of the western United States. Consequently it was considered desirable to analyse large numbers of Canadian plants in the hope that one might be found which would be of value in the present emergency.

A total of over 400 species of approximately 180 genera were studied, approximately 1,500 analyses being made by the Division of Botany.

As was originally anticipated, no startling discoveries of new Canadian rubber plants contained small amounts of benzene extract; in the great majority of cases these amounts were too small and the possibilities of securing or producing a large tonnage of the plant were too remote to make commercial production feasible. Of all the plants studied, species of *Asclepias* (milkweed) stood out as having relatively high content of benzene extract; at the same time it seemed possible to collect large quantities of wild milkweed and also to grow it commercially. Other species of such genera as *Solidago* (goldenrod) *Lactuca* (wild lettuces) and *Apocynum* (doebane) gave some promise of possible utilization, but much further study is still necessary.

While the results of this survey were to a great extent negative, the Division was able to give factual answers to the many questions and suggestions received concerning the possible utilization of many native and introduced plants.

In view of the discovery in the U.S.S.R. of a dandelion containing considerable quantities of good rubber, it was considered desirable to investigate some of the arctic and sub-arctic species of this genus (*Taraxacum*) growing in stffood out as having relatively high content of benzene extract; at the same northern Canada. Most of these species have never been analysed for rubber. Through the co-operation of officers of the Department of Mines and Resources and of the R.C.M.P., a considerable number of seed lots of *Taraxacum* from northern Canada have been grown and roots dug for analysis. Analytical results are not yet available, but there seems little indication that any of these is as valuable as kok-saghyz. This material may, however, be most valuable in the breeding program with kok-saghyz, which is now under way.

Seed of the Russian rubber-bearing dandelion, *Taraxacum kok-saghyz* Rodin was first received in Canada in May, 1942, through the co-operation of the United States Department of Agriculture. Subsequently two shipments of seed were obtained directly from the U.S.S.R. This plant contains in its roots a considerable quantity of high quality rubber. According to rubber technicians, the quality of the rubber is almost comparable with good Para rubber and no changes in machinery are necessary for its utilization.

Considerable work has been done and numerous experiments have been made in the field and in the laboratory by Canadian scientists on Kok-saghyz.

Results at present may be summed up in the words of Dr. H. A. Senn, Assistant Botanist:—

"In conclusion, it may be said that Kok-saghyz offers a source of high quality rubber but at present there are numerous agricultural difficulties to overcome before large scale plantings can be undertaken. In order to bring the cost of production to a reasonable level, it will be necessary to produce varieties with high rubber content and large roots and to mechanize the whole process of planting, cultivating and harvesting."

Various species of milkweed of the genus *Asclepias* proved to have as high or higher rubber content than any other native Canadian plants. Consequently special attention was given to species of this genus.

During 1943 a large number of analyses of milkweed leaves and stems were made both from wild material from various parts of Canada and from cultivated material from Ottawa. The results of these analyses indicated that milkweed leaves contain a considerable quantity of rubber as well as large amounts of resinous substances. Simultaneously studies by the National Research Council indicated that milkweed gum might be a most useful substance for blending with one of the synthetic rubbers, namely buna-S.

Extensive experiments were carried out in plantings and in seed germination.

Preliminary indications are that swamp milkweed may eventually be a more desirable species to use for rubber production than common milkweed. Further data is needed, however, and the difficulty of securing adequate supplies of seed would preclude large scale plantings of swamp milkweed at present.

Preliminary experiments have been conducted by the Division of Field Husbandry to determine the types of machinery which can be used most advantageously for the sowing and harvesting of milkweed. Further extensive experiments are needed on methods of harvesting and subsequent handling.

At the request of the Technical Advisory Committee on Synthetic Rubber of the Department of Munitions and Supply, the National Research Council erected in 1943 a pilot plant to process a large quantity of milkweed leaves and thus secure sufficient gum for large scale commercial tests. The Division of Botany and Plant Pathology of the Department of Agriculture was charged with the responsibility of securing the necessary raw material for the operation of this plant.

A campaign was organized and approximately 71,000 pounds of dried milkweed was obtained.

In the words of the Assistant Botanist, we may conclude "that the future use of milkweed for rubber depends on the results of tests which are being conducted on the large quantity of gum obtained as a result of the collection campaign mentioned above. Should the material prove satisfactory, there seems to be no reason why large quantities of wild milkweed cannot be obtained in Canada and the plant successfully cultivated. Certain agronomic problems, especially as regards harvesting methods, remain to be solved. This is inevitable when the culture of an entirely new crop plant is begun."

EXTRACTION EXPERIMENTS

It was determined early in these experiments that milkweed was the native species with the highest known rubber content, and consequently, numerous methods of extraction of rubber from milkweed were studied. Studies were made with the object of finding a practical solution that could be developed sufficiently rapidly to constitute a contribution to the national emergency.

A pilot plant was installed, experiments were developed on a larger scale, and interesting data were obtained.

The evidence supplied to us indicates that the limiting factors for development of kok-saghyz appear to be related to production and agronomic problems, and not to difficulties of extraction.

In the case of milkweed, extraction is the major problem. Extraction of kok-saghyz is a simple proposition, but extraction of milkweed, though it is getting to be more simple, is still very complicated.

In conclusion it might be said that Canadian Government and university research workers have given careful consideration to the possibilities of natural rubber production. The only two apparently worthwhile species for Canadian cultivation are the common milkweed and the exotic kok-saghyz.

While, at present it does not appear likely that native rubber production in Canada can be on a significant basis in so far as the present emergency is concerned, careful informed study of all possibilities is under way.

The Canadian Government have not left unexplored the possibilities of securing rubber from Canadian-grown plants, but it is evident to your subcommittee that no relief from the dire situation existing in the supply of rubber in 1941 could have accrued from that source, and planning for rapid production of synthetic rubber was more than justified.

SYNTHETIC RUBBER

The rubber situation in Canada was so serious in the last months of 1941 as to cause grave concern to the Government. It is true that controls had been set up to regulate the use of crude rubber as early as September, 1941, and conservation orders were already in force. It is true that reclaiming of rubber from scrap was being organized and campaigns for the collection of scrap rubber

were already under way. It is true that the possibility of finding a source of natural rubber from Canadian plants was being explored. However none of these steps, nor all of these were sufficient to remedy the situation and to insure the replacement of the quickly vanishing rubber stock in the country.

Action had to be taken and taken promptly if the rubber that was needed for the war program was to be made available within the shortest time possible.

By that time the United States had become convinced that there was no possible way to get the rubber they needed except by building synthetic rubber plants.

Shortly before Christmas of 1941, there was a meeting in Ottawa when discussions first took place about the advisability of producing synthetic rubber in Canada, or of making an arrangement with the United States which would ensure an adequate supply of synthetic rubber for the Canadian war program.

Other meetings followed in Ottawa and on December 27, 1941, Canadian delegates attended a meeting held in Washington, D.C., at which the results of U.S. Surveys of the synthetic rubber production were to be reviewed and plans for expanded production discussed.

As a result of this meeting between U.S. and Canadian Government officials and representatives of the four largest rubber companies in Canada and of their parent companies in the U.S. it was agreed that a survey should be made to determine what raw materials, if any, Canada could supply, and whether or not it would be possible to produce synthetic rubber in any substantial quantities in Canada, or to produce any of the principal ingredients that were required for its manufacture.

The Minister of Munitions and Supply who was in Washington at that time, decided that such a survey should be immediately instituted and that if it were possible for Canada to do so, plans should be made to produce a substantial quantity of synthetic rubber in Canada.

The survey was undertaken by a Committee made up of representatives of the Chemicals branch of the Department of Munitions and Supply, of the Oil Controller, of the Rubber Controller, of the Director General of Chemicals and Explosives and the Chairman of the Wartime Industries Control Board.

It took the better part of the month of January to complete this survey, because there were a number of factors that had to be considered, namely, which base should be used for the manufacture of rubber, what type of rubber and what quantities of rubber should be produced.

The report was completed near the end of January and recommendation was then made by that committee to the Department of Munitions and Supply that Canada should embark upon a program for the production of 30,000 long tons of synthetic rubber per year. The report also recommended that in order to accelerate the program and get the plant constructed and in operation in the minimum of time a government-owned company should be established to take charge of the program. That recommendation was accepted by the government, and in the early part of February, 1942, instructions were given by the Canadian Government to incorporate the company which is now known as Polymer Corporation Limited.

POLYMER CORPORATION LIMITED

Acting upon the advice of a committee of experts the Canadian Government caused to be incorporated on February 13, 1942, Polymer Corporation Ltd., a government-owned company with the purpose of producing synthetic rubber of the varieties known as "Buna-S" and "Butyl".

The Company got under way in March, 1942, and plans were started immediately for the erection of a plant. An Order in Council was passed on March 27, 1942, authorizing Polymer to take the steps necessary to erect such

a plant and arrange for the production of synthetic rubber. The following six weeks were employed in determining what the program should be and in surveying the different methods of producing Buna-S.

The considered views of the Polymer Board of Management were set out in a recommendation to the Minister of Munitions and Supply on the 18th of May, 1942. Therein they definitely recommended the erection of an integrated plant at Sarnia, Ontario, capable of producing 34,000 long tons of Buna-S rubber per year and the butadiene and styrene equivalent of that production.

Soon after an Order in Council was passed providing a preliminary amount of \$45,000,000 for the erection of an integrated plant consisting of a Buna-S plant with a yearly capacity of 34,000 long tons and a butyl rubber plant with a capacity of 7,000 long tons, the main reason being that there were available pre-Pearl Harbor plans for the construction of a plant of that size which could get under way without delay.

Both the plant and the executive officers are located at Sarnia. Prior to the commencement of operations at Sarnia the head office of the company was in Toronto at 320 Bay Street, because all engineering and purchasing contacts had to be maintained out of Toronto which was much more central.

PLANT

The plant located about two miles south of Sarnia, for which an initial sum of \$45,000,000 was allotted by Order in Council passed on May 18, 1942, covers an area of 185 acres. It is bordered on the west by the St. Clair River and on the east by the highway and it is crossed diagonally by the Père Marquette Railway.

The plant comprises docks on the river, a coal storage area, a steam plant which is capable of producing 1,400,000 pounds of steam per hour and a pumping plant which is capable of supplying 140,000,000 gallons of water a day to the various units in the area; a Light Ends Recovery unit designed to take the materials from the Imperial Oil refinery and extract from them the ethylene required and a material referred to as a "butane-butylene cut". A butylene concentration unit; an isobutylene extraction unit; a butadiene extraction unit which purifies the butadiene, that is brings it to the degree of purity which is required for the production of Buna-S rubber; a series of plants called the Buna-S plant, that consists of a number of units, a series of storage tanks for the storage of butadiene and styrene; the pigment building for dry storage; a reactor building; a recovery building, a process building and a building for the storage of the finished product; the styrene plant which consists of a series of storage tanks; an ethyl benzene building; the cracking unit for getting crude styrene; and then a series of buildings called finishing buildings where the crude styrene is converted into finished styrene.

The styrene produced in these units is transferred by pipe line to the Buna-S plant where it is copolymerized with butadiene.

There is also a butyl plant which consists of a series of fractionating towers, a reactor unit, a compressor building, a finishing building, and a storage building.

There are also: the machine shop where all the machine work is done for the plant; the warehouse where all common stores are located; the laboratory where all the testing of the various products is undertaken; the time office and the administration building. Those buildings are used in common by those engaged in the enterprise.

Adjoining the Polymer property is located an Imperial Oil Co. refinery which is one of the reasons for the choice of the Polymer site since the decision was made to use petroleum in the production of buna-S. Oil is brought in from Oklahoma by pipe line which crosses the St. Clair River to the Imperial Oil plant where it is first processed in the refinery and in the suspensoid cracking

unit before the lighter parts of the crude oil are brought into the Polymer plant's light ends Recovery unit.

It is stated by Polymer company officials that no plant in the world compares with the plant at Sarnia, that it is unique in that the two principal ingredients of buna-S rubber and the ingredients of buna-S rubber and the ingredients necessary for the manufacture of butyl, both types of rubber that are required for the war program, are all produced at one site, with a common power house and common water pumping and treating station.

Evidence was given to your subcommittee as to the engineering and contracting firms engaged in the construction of various sections of the plant and extensive details were given as to the costs of each section, the nature of and contracts with such companies, the methods of auditing and controlling costs, etc.

The engineering and contracting firms were chosen for their special knowledge and previous experience with plants of a similar nature in the United States. The size and complexity of the plant and the urgency of completing the plant in a minimum time were such that the Polymer officials appear to your subcommittee to have acted wisely in securing the services of firms that had designed, supervised and constructed successfully similar units previously. It appears to your subcommittee that Polymer officials took due precautions not to enter in the field of adventure and were more than justified in drawing on the knowledge of companies that had long experience in the United States or that were parent companies in Canada of such U.S. companies.

As to the cost of this undertaking, the original estimate was \$46,000,000, but as the result of having to bring the plant along to production as fast as possible, some delays that were not originally anticipated occurred, some due to changes in labour rates, and others to a shortage of common labour. There were some changes in the original estimates as the result of improvements in technique that were discovered as building went along. The actual cost, therefore, will be about 10 per cent higher than the original estimate and will probably reach \$49,500,000.

To the end of January, 1944, the date up to which are available the latest figures from the company's balance sheet point of view, there were spent somewhere around \$47,024,000. In addition to that, there were commitments on additional equipment to come in, of approximately \$1,500,000 on the construction account. That will indicate that while the plants are in production there was still, in March, 1944, additional work to be done to bring them to the full stage of completion according to the present design.

As to the considerable details of costs given by Polymer officials your subcommittee is not in a position to pass a competent judgment except that it appears evident that proper cautions were taken by Polymer to competently audit and control costs.

A budget of projected expenditures was first gone over by a representative of the Controller of the Treasury; then all vouchers were certified by proper company officials to insure that the items referred to were really employed in the construction of the plant; all figures were audited by the company's own accountants and finally representatives of the Auditor General audited all costs.

The margin of profit of these engineering and building companies from figures supplied to your subcommittee by Polymer officials appears to be reasonable.

Fees were based in most instances upon operations that had been established by the U.S. Government for construction in the U.S. with proper readjustment to conditions of labour in Canada and other considerations peculiar to our country.

Although at the time the evidence was given to your subcommittee the entire costs of the plant were not yet available and many contracts with the building firms were still in the process of adjustment it appears from figures

submitted to your subcommittee that profits of the engineering and building firms would have been in the neighbourhood of 4 per cent to 5 per cent of the total costs of the plant.

Not being a public accounts committee but a fact finding body your subcommittee did not examine any auditing reports through accountants or otherwise and accepted the figures given by the Polymer officials and if of opinion that public funds expenditures have been carefully protected and that Polymer officials are to be commended for their care and precautions.

SITE OF PLANT

In the opinion of the board of directors of the Polymer Corporation, expressed to your subcommittee by the President and the managing-director, Sarnia is the logical site for this industry in Canada, for the following reasons: It is the site of the only oil refinery in Canada that is fed by pipe line—a large oil refinery capable of producing the butylenes which are required for the production of upwards of 34,000 long tons of rubber, and with no chance of production being interfered with by tanker shortage. The second and most important factor influencing the decision in favour of Sarnia is the huge quantities of water that are required, both for the purpose of making steam and as cooling water in the different steps that are involved. One hundred and forty million gallons of water are used every day in this plant. That is more water than they use in the city of Montreal or the city of Toronto in a corresponding length of time.

Sarnia, on the banks of the St. Clair River, provides a ready flow of water at an average temperature of between 50 and 55 degrees, which is ideal for cooling purposes.

At Sarnia, the salt brine is extracted from the earth in the Dominion Salt Company plant located in Sarnia, and brought in by tank trucks in brine form and mixed with the butadiene and the styrene without going through cumbersome and expensive steps, handling and transportation charges being thus avoided.

The shipping facilities by rail and water in and out of Sarnia are also important.

Approximately half a million tons of coal a year are used at the plant. That coal is brought in by self-unloading barges in the open season of navigation from lake ports.

Substantial quantities of benzol are used in the manufacture of styrene; and Sault Ste. Marie is the cheapest source of benzol on the North American continent. During the open season of navigation the necessary benzol is brought in tankers and stored at Sarnia for use during the winter months.

Furthermore, the site that was chosen permitted the construction of a series of integrated plants on clay soil. In Sarnia, according to company officials building conditions are better than in any other part of Canada, other than British Columbia.

Another reason given to us why Sarnia is a good choice for the site is the fact that the plant is within easy shipping distance of the principal users of its products, that is, the rubber manufacturing companies, which are located in Hamilton, Kitchener, Toronto, and Montreal.

OPERATING SET-UP

Polymer owns all the property, all the different units of the plant, all the materials that go into the production and all the finished product at all stages.

The operation of the plant is done through three operating companies: The Canadian Synthetic Rubber Ltd., the St. Clair Processing Corporation, the Dow Chemical of Canada, Ltd.

The Canadian Synthetic Rubber Ltd. was incorporated in March of 1942 and began functioning immediately. The Company is owned in equal shares

by the Canadian Goodyear, the Canadian Goodrich, the Canadian Firestone and the Dominion Rubber.

Its objective was: to assist Polymer Corporation Ltd. in the engineering of the plant, to act as supervisory engineers by getting technical assistance from parent companies in the United States; to train the necessary personnel for the operation of the Buna-S plant and, when the plant was erected, to operate it under the supervision of Polymer, incorporated in September, 1942.

The largest operating company is the St. Clair Processing Corporation. It is a subsidiary of Imperial Oil, brought into being solely for the purpose of operating the Polymer units at Sarnia that were included in the petroleum end of it, namely the feed preparation units, and the butadiene plant, which are closely allied to the operations of an oil refinery, and the butyl rubber plant where the isobutylene product of an oil refinery is converted into rubber.

To that company, which has the bulk of the load, has also been delegated the responsibility of operating the pumping station, the power house and the common facilities.

The Dow Chemical of Canada Ltd., a subsidiary of the Dow Company in the U.S., is operating the styrene plant.

These operating companies are paid management fees by Polymer. Management fee contracts are similar to some operating contracts that the United States have passed with corresponding branches of industry in that country. Organizations have been chosen which were felt to be competent to operate these highly technical and complicated units and the operation was made their responsibility, and those operating companies are to be paid what is considered reasonable fees for the services they render.

For instance, the fee in the United States for the operation of styrene plants is at the rate of so much per pound. It depends on the poundage. Dow operates four plants for the United States Government, a large plant in California and another one in Texas. If they were only producing 10,000 tons of styrene per year, they would get one fee, and the fee per pound is lowered as their production is increased. Polymer was able to work out with the Dow Company an arrangement whereby after March 31 of this year we pay the average fee per pound that is paid in the United States, which is considered a very fair arrangement, and it will be less than one-half of a cent per pound.

In the case of Canadian Synthetic Rubber Ltd., the management fee will be a little over one-half cent per pound.

As for St. Clair Processing Co., no definite agreement had yet been arrived at as of March, 1944.

All the buying is done by Polymer on the advice and upon requisitions of the operating companies. Advantages of the system are: the benefits in prices due to central buying of commodities that are common to all operations; avoidance of surplus stocks that would be incurred if buying were done individually by the companies; better facilities in the servicing and disposal of products by handling the traffic through a central organization.

The personnel of these plants were trained by the different operating companies as early as May, 1942, because there was nobody in Canada who had ever worked on the production of butadiene, styrene, buna-S, or butyl rubber.

Young Canadian graduate chemists and chemical engineers in most instances, in others, people who had had practical experience, and in one instance a number of young girls who had junior and senior matriculation education, were picked for special training.

The operators of the Buna-S Polymer plant were trained at Akron, Ohio, in a synthetic rubber plant being operated by the Goodyear Tire and Rubber Company which is owned by the United States Government and the construction of which had been authorized and was under way before Pearl Harbor.

In the case of the Dow Chemical Company, the styrene producers, they had about fifteen of these young Canadian chemists and chemical engineers who were sent to Midland, Michigan, for training in the latter part of September and the early part of October, 1942, and who trained there until May of 1943 when they came back during the final stage of constructions and they started on operations in June, 1943.

In a Buna-S Co., Polymer plant, it is rather interesting that with a total staff of approximately 325 operating three shifts a day, seven days a week, there is only one employee of that organization, the general manager, who is not a Canadian. We think that is rather unique and worthy of special mention.

Polymer employees are about 250 in number, which includes the accounting staff, the purchasing staff, the supervisory staff and the security staff. The Dow company have about 100 employees. Canadian Synthetic about 325, and St. Clair Processing approximately 1,100.

As to the advisability of this system of operation through separate operating companies, the managing-director of Polymer expressed himself as follows:—

"I do not think it would have been possible for the Polymer Corporation to have together the trained personnel to operate units that are as complicated and tricky as these are. The United States realized that in the early stages by following this course, and they had men with appreciably longer training in the field than we had because we had none at all."

Upon the evidence supplied to your subcommittee, it appears that the operating set up is arranged on an economical basis and was justified in view of the special nature of these operations, the urgency of rapid organization, and early production.

PATENTS

The astounding developments that resulted from the research in and the discoveries of substitutes for rubber were the object of patents for the ownership of which negotiations and fights have been of long duration in Germany, where the first practical results were obtained in transferring on plant scale the experiments of laboratories and in the United States where powerful oil and rubber companies became interested in these developments. Patent rights on the production of synthetic rubber were the object of agreements that had great influence on this new field of industrial activity. Considerable publicity was given in the United States and Canada to enquiries and investigations on the matter.

Your subcommittee did not feel however, it had to inquire into this aspect of the problem as all such questions were settled for the duration of the war when Canada decided to undertake the production of synthetic rubber.

Four series of patents were involved, all interdependent but of which the patents on Buna-S were the most important.

Early in the spring of 1942, before the order in council approving the outlay of \$46,000,000 for the building of the Sarnia plant was passed, Buna-S had been made royalty free to the U.S. Government for the duration of the war through the Rubber Reserve Corporation. A similar agreement was granted to Polymer as soon as the order in council was passed.

The other series of patents involved are for the production of Styrene and Butadiene, the two components of Buna-S and for the manufacture of Butyl rubber, another synthetic.

On Butyl rubber the same arrangements were made as for Buna-S and no royalties will have to be paid for the duration of the war and six months thereafter.

On Butadiene, the same thing applies, that is, so far as patent rights on butadiene are those of the previous owners of the patent rights for Buna-S,

they are royalty free. Should, in the manufacture of Butadiene, other processes be used that were not covered in the Buna-S patents, royalties might have to be paid, but such has not been the case up to now.

On styrene the situation was different. All the companies that had produced styrene in the United States agreed to pass their patent rights and their technical knowledge and the United States Government undertook to pay them a flat royalty of one-eighth of a cent per pound and that agreement was extended to Canada.

So that it can be said that the only royalties Canada may expect to pay for patent rights on the production of synthetic rubber in Canada during the war will amount to one-eighth of a cent per pound.

Your subcommittee feels that Polymer officials are to be commended for the successful conclusion of their negotiations in this regard.

BUNA-S

Buna-S rubber is made up by the combining or co-polymerizing of two chemicals known as butadiene and styrene.

Butadiene and styrene can be made from practically any hydro-carbon; they were made in Germany, where the process was originated from coal and limestone because these were the materials available which they could devote to that production; they were made in Russia first from alcohol made of grain or potatoes and then from oil; they were made in the U.S. first from alcohol because facilities existed for a rapid production from this source and later were made from petroleum because it meant a considerable reduction in the cost of production; Canada just as the U.S. had a choice of making them from grain alcohol or from petroleum, the present program has hinged around and involved the use of both commodities in quite substantial quantities; in the early stages it has involved the use of considerable butadiene and styrene made from grain alcohol, it is now on a petroleum or refinery gases basis.

At present 65 per cent of the U.S. program hinges on the production of butadiene from petroleum as at the Canadian plant of Sarnia.

BUTYL RUBBER

One of the further reasons for choosing petroleum as a base for producing butadiene is the important fact that by following the petroleum route a by-product is obtained: butyl rubber. While a separate plant is needed to manufacture butyl rubber, the raw material is a by-product of the manufacturing of butadiene from petroleum.

In the manufacture of butadiene, the bases are butylenes in the original cut from the refinery. There are two types of butylenes, normal butylenes and isobutylenes. Butadiene is made from purified normal butylene, and before normal butylene can be obtained out of which butadiene is made all the isobutylene must be extracted from what is called the butane-butene cut from the oil refinery, so that all isobutylene must be separated from that stream before butadiene can be made.

Having isolated isobutylene and having collected it makes it available to produce butyl rubber and implement the synthetic rubber production.

Butyl rubber has many and varied uses, its prime use being as inner tubes for automobiles. So far as present indications are concerned it is the best substitute for crude rubber in the manufacture of inner tubes. It also has valuable uses for flotation equipment gas masks and other products of that sort. In the course of their investigations the Polymer directors found that the indications were that they could produce butyl rubber economically at Sarnia.

Butyl looks more rubbery than Buna-S.

It is estimated that 3,500 to 4,000 tons will be needed annually for the manufacture of tubes and that about 3,000 tons would be a good supply for the manufacture of gas masks and other essential equipment of that character.

Compared to Butyl, Buna-S is a better type of synthetic rubber for the manufacture of tire casings. It has better wearing qualities, stronger resistance to abrasion and blends well with natural rubber while butyl does not blend.

It can be stated therefore that they complement one another and your subcommittee feels it was a wise move of Polymer to arrange its methods of producing butadiene so as to have as a result the elements necessary for the production of Butyl.

COST OF PRODUCTION

Canada being one of the world's largest wheat producers it was to be expected that those entrusted with the carrying on of a synthetic rubber production program would scrutinize the possibility of advantageously using alcohol made from wheat in the manufacturing of butadiene and styrene; your committee is of the opinion that Polymer officials have not failed in that regard and that they have secured the best available information from Canadian and U.S. scientists and from those already conversant with the production of these chemicals before they definitely advised the Canadian Government to follow the petroleum route.

As previously stated the cost element was the dominant factor in arriving at this decision. Your subcommittee has therefore secured detailed evidence and data on the question, and is of opinion, from figures it obtained, that considerable sums have been economized by equipping the Sarnia plant for the production of the component elements of Buna-S from a petroleum base. Figures appear to be so conclusive on comparative costs of producing Buna-S from grain alcohol or from petroleum as to warrant the opinion that unless radical and presently unexpected changes in the extraction of alcohol from wheat are made possible, or unless petroleum became prohibitive in price or impossible to secure, the course presently followed by Polymer will remain justifiable in the future and the subsidizing of wheat in this regard will remain of very doubtful economic value to the country.

From the evidence of Polymer officials substantiated by actual figures of production, it would appear that Buna-S can be produced from petroleum at less than half the cost of producing it from alcohol. Since the company had to produce from alcohol in the early stages it is proven that the cost of Buna-S manufactured from that base was around 45 cents per pound which compared more than favourably with the cost of U.S. production. For the month of January, 1944, Polymer had reached an unexpected low of 42.668 cents per pound; it was established that from a petroleum base Buna-S is produced at 23.4 cents per pound and quite possibly at 17.272 cents per pound in the very near future. The Vice-President of the Rubber Reserve Company in the U.S. stated before a committee of the House of Representatives that in his opinion the price might go down to 15 cents per pound.

The cost of Butadiene made from alcohol is given at 35 cents per pound as compared with a cost of 12½ cents to 20 cents if petroleum is used.

The cost of Styrene made from alcohol is given at 17 cents per pound as compared with a cost of 10 to 12 cents per pound if petroleum is used.

It was stressed by Polymer officials that based on the yearly production capacity of the plant of 34,000 tons of Buna-S, for which 30,000 tons, or, 60,000,000 pounds of Butadiene are required, the increased cost to the country on that element only, if alcohol derived from grain was used, would be \$12,000,000 per annum.

In the production of styrene from alcohol a proportionate increase in cost would have to be considered. To carry on the program of manufacturing 34,000 tons of Buna-S, 20 million pounds of styrene are needed and to produce that quantity of styrene 6 million pounds of ethylene are needed. To get ethylene from an alcohol base would cost between 24 and 26 cents while to get it from a petroleum base costs between 3 and 5 cents per pound. The comparative costs of ethylene for the execution of the yearly program would mean \$1,500,000 if alcohol is used as compared with \$180,000 to \$300,000 if petroleum is used which would imply an increase of at least \$1,200,000 if alcohol is used.

Polymer officials stated that in order to bring down the cost of producing Buna-S from alcohol to that of producing it from petroleum wheat would have to be delivered at the distillery where alcohol is made at 25 cents a bushel.

Evidence obtained from officials of the National Research Council corroborated that of the officials of Polymer on the matter of cost. The following words were used by the representative of the chemistry division: "Our opinion is that the petroleum route is undoubtedly the cheaper one of the two."

As to the possibility of getting a higher yield of alcohol per bushel of wheat than 2 imperial gallons the same witness stated that research has not in the last five years increased the quantity of alcohol derived from one bushel of wheat "substantially enough to change the picture". The representative of the applied biology division stated: "No! I would not say, over the last five years, that there has been a substantial increase in the amount of alcohol that can be produced from a bushel of wheat. It would not vary over 5 per cent from plant to plant".

As to the cost of producing these two imperial gallons out of a bushel of wheat the same two witnesses stated that prior to the war that cost "had probably gone down a little due to efficient operation" but that "it has gone up since the war began" due to labour costs and evidently also due to the much higher price paid now for wheat.

These witnesses also corroborated the evidence of Polymer officials that wheat would have to be paid 25 cents a bushel delivered at the alcohol distillery in order to produce butadiene at 12.8 cents a pound and therefore Buna-S at about 17 cents.

Your subcommittee was therefore satisfied that there was ample confirmation by the experts of the National Research Council of the figures submitted by the officials of Polymer Corporation and of the advisability of their decision to use petroleum as a base for the production of Synthetic rubber.

CHEAPER PRODUCTION OF GRAIN ALCOHOL

Since publicity was given in the House of Commons to articles purporting to describe new methods which might reduce substantially the cost of producing alcohol from grain, and since it was intimated that this avenue had not been properly investigated before Polymer Corporation embarked on their program of using petroleum to produce Butadiene and Styrene instead of grain alcohol, your subcommittee has looked carefully into that question.

Evidence was given by officials of Polymer and by experts of the Chemistry and Applied Biology Divisions of the National Research Council.

As the discoveries of a young chemist of the Department of Agriculture are still in their experimental stage it could not be ascertained whether the process of extracting alcohol from grain will be substantially reduced. Furthermore two factors remained which prompted your subcommittee to feel that the right decision had been reached by Polymer at the date it was made, to follow the petroleum route even if the results of these experiments proved satisfactory. The first one is the question of time and urgency: Polymer could not have waited for the outcome of transferring laboratory tests to practical production

even on a pilot plant basis. The second is the repeated statements from the scientists who gave evidence as well as from officials of Polymer that even if alcohol could be extracted more cheaply than heretofore from wheat, the reduction in costs of extraction could not be such as to make it cheap enough to compete with petroleum as a base for producing butadiene and styrene.

PRICES

For the years 1937-8-9, the price of crude rubber No. 1 smoked sheet ranged from 13 to 25 cents per pound f.o.b. New York. At the time the Canadian Government took control of rubber, the average inventory cost was 25.6.

Evidence supplied to your subcommittee was that plantation operations in the pre-war days indicate that rubber could be sold on the New York market at a fair profit to the plantation at a price somewhere between 17 and 20 cents per pound.

It is hoped by Polymer officials that after the war they can keep synthetic rubber prices around 20 cents and perhaps as low as 17 cents per pound; if this proves to be true it will have a very beneficial effect on the general rubber situation, because when synthetic rubber represents a very strong competition for natural rubber it will have a stabilizing effect on the world's market price of rubber. They consider that the techniques of using synthetic rubber will have advanced to a very high degree and that synthetic and crude rubber will then be mixed to produce better tires than could be done by using either one alone.

TESTING OF SYNTHETIC RUBBER TIRES

In the evolution of a new product such as synthetic rubber whether it be Buna-S or any other synthetic, constant experimentation goes on, and once the result of an experiment has been put in material use, constant testing is in order.

It was therefore necessary for Canadian authorities to carry on tests under as favourable conditions as possible of the tires produced by the Canadian manufacturers in which entered any proportion of synthetic rubber.

Your subcommittee inquired into this question. The advisability of the Government policy on the methods of testing and on the location of testing grounds was looked into with special care with a view to ascertaining if there were any possible duplication of functions as between the Department of Munitions and Supply and the Department of National Defence.

The forced introduction of synthetic rubber, due to the cutting off of crude rubber supplies, made it necessary to develop tires with as high a content of synthetic rubber as possible in the very shortest time. The Army Engineering Design Branch of the Department of Munitions and Supply have the function of providing the Production Branches with specifications to cover articles required from industry. These specifications are developed in conjunction with industry and the user of the product.

No specifications were obtainable covering tires made of synthetic rubber for which plants were being set up in the United States and Canada. It therefore became necessary to develop such specifications and to prove them as they were developed. Amongst the United Nations, the United States led the way in the development of synthetic tires. They based their development on the pooling of all knowledge between industry and the Government and they set up Government test facilities for proving each stage of development, step by step, by full-load mileage tests on vehicle.

The requirements of a proving ground for such development testing are:—

- (a) Reasonably high and consistent temperature throughout the year.
- (b) Suitable cross-country terrain for proving the adequacy of tires against bruise breaks.

(c) Suitable percentage and type of gravel road to simulate conditions to be encountered in theatres of war.

Consistently high atmospheric temperatures throughout the year are essential in order to permit valid correlation of test results, since heat is a definite enemy of tire performance and it is necessary to know how synthetic tires behave under the worst conditions they are likely to encounter. Furthermore, operations at high temperatures accelerate test results, a very necessary consideration because of the extreme urgency for developing sound conversion specifications in the shortest space of time.

The United States Army Ordnance Authorities selected a site at Camp Normoyle, San Antonio, Texas, as meeting to the greatest degree each of the basic requirements mentioned, and set up an extensive establishment of vehicle workshops, vehicle maintenance men and drivers, rubber technicians and so on.

The United States program commenced with experiments on the conversion of the smallest size military tires. These sizes were chosen because they represented the volume sizes, and thus presented the greatest opportunity for mass conversion from crude to synthetic, as well as offering the least difficult problem from a technical standpoint.

The generation of heat within the tire increases with size and with the thickness of its various parts, and it has already been mentioned that heat is one of the worst enemies of rubber generally and synthetic rubber particularly. The progress made by the United States in these smaller size tires has been very remarkable.

In general, the United States Army is equipped with much smaller-sized tires than those on which the British and Canadian Armies have standardized. The United States Army has more multi-wheeled vehicles and has gone in much more extensively for dual tires than the British and Canadians. The use of dual tires (American practice) *vs.* single tires (British and Canadian practice) automatically permits the application of the smaller size and more lightly loaded tire noted in the preceding sentence. As a result, the Americans have attained a very high overall synthetic conversion percentage partially accounted for by the fact that they were able to secure production supplies of synthetic rubber some 9 to 12 months before Canada was able to do so.

The Department of Munitions and Supply has been able to establish a very close and friendly relation with the technical men in the United States Ordnance Department who are charged with the American synthetic conversion program. Their findings have been made an open book to Canadians. All of the Canadian tire manufacturers have close American affiliations and are, therefore, in a position to secure not only the information we may bring back to them via the United States Ordnance, but the actual American industrial picture which is obtainable from the affiliate plant. As a result, Canada has been able to apply the specifications covering synthetic tires in strictly civilian or commercial sizes that have been developed by the United States in Canadian production without any testing, which would be purely repetitive.

Unfortunately, however, these commercial tire sizes which have been released by the United States represent a very small proportion of the tire sizes used by the Canadian Armed Services at the present time. The question of switching to the smaller American size of tires was considered, but was very quickly thrown aside as being impractical. Over and above the fact that all indications are that from a military point of view, the large single tire is best, the Commonwealth Armies had hundreds of thousands of vehicles in the field for which large size tires had to be provided. The question of reducing the loads on vehicles was discussed and explored. The Armies refused to countenance such change because any reduction in load would have required a compensating increase in the number of vehicles, and such an increase in vehicles would have resulted in increase in driver's mates, plus many other complications.

It was, therefore, apparent that Canada was faced with a firm demand for the development of these large-size military tires which are peculiar to the British Commonwealth Armies. It was arranged that the pattern of development already in operation in the United States would be followed. Arrangements were made with the United States Government to have them expand the facilities at their test site at Camp Normoyle to enable us to send down vehicles and a small supervisory and technical staff. It was arranged that the vast majority of personnel, comprising mechanics and drivers, would be found in Texas and that the operation would be performed for Canada by the United States Ordnance and a contractor who was working directly for United States Ordnance, with all charges payable by the Canadian Government to the United States Government, Canada being free to lay on their tests and supervise each individual test as they choose.

This arrangement went into effect approximately May 1, 1943, and since that time, approximately two millions of truck miles have been traversed by our test fleet. Several synthetic conversions have been released, representing various stages in the substitution of synthetic in place of natural rubber. They commenced with a tire in which the carcass was 100 per cent crude rubber and the tread was 65 per cent synthetic rubber. Next the entire tread was converted to synthetic rubber. At the present moment, our factories are building tires in which the synthetic content is 70 per cent overall, and indications are that on the smallest of the sizes there is justification in hoping for satisfactory tires having a 90 per cent synthetic content. It is very questionable, however, whether this 90 per cent will ever be reached on the large sizes. Probably the ultimate will be between the present 70 and 90.

Army Engineering Design Branch are keeping even with the demands of the Rubber Controller for the saving of crude rubber, but are doing no more than keeping even. It is essential that undiminished effort be pressed forward. Officials of the Army Engineering Design Branch expressed their satisfaction of the approval by the Government of their proposition to use a Southern United States area for testing. To use a location in the Southern United States presents, at the beginning, a picture of tremendous expense. However, in Texas, tests can be run day and night (an average of 19½ hours every 24 hours, 6 days per week is maintained throughout the entire year). In Canada, because of the climate, there are less than five months which are really useful for tire testing, and there are not more than 6 months in which cross-country work could be done with any degree of uniformity. Had not Canada gone to the Southern United States for its test work, it is now very obvious that it would be in a very serious situation and might possibly be so short of tires as actually to interfere with vehicle production.

A very large proportion of the production of the Canadian Tire Industry is for the United Kingdom and other Commonwealth countries. Thus the importance of developing successful synthetic tires is related not only to the requirements of the Canadian Army, but to the British Army as a whole.

The question of the proper body to perform these tests was considered. Obviously, the various companies were not in a position to perform them individually with the speed and with the pooling of results that was necessary for an industry-wide changeover. It was deemed unwise to ask the industry as a whole to become responsible for the tests for several reasons, amongst which might be mentioned:—

- (1) It is important that the Government maintain control of the release or approval of a tire.
- (2) The tires under test in Texas are confined to strictly war department sizes and only can be fitted to army vehicles and, as none of these are available to the tire companies, it would have been necessary to loan the vehicles to the industry, whereas it seemed better to have Government property operated by the Government.

- (3) Any costs in the development of a product naturally become a part of the selling price of the product, and, as a rule, form part of the basis upon which the profit is calculated. It was felt that this latter condition would be avoided and further that the test could be run more efficiently by combining with the U.S. Ordnance and the cost to the public would be reduced in the final analysis. Furthermore, as the American tests were being run by the United States Government, the American Officials charged with the responsibility of implementing Canadian tests expressed the desire to deal with Canadian Government representatives.

Based on the foregoing considerations, Army Engineering Design Branch recommended that these tests be carried through under its control at Camp Normoyle, Texas, using the facilities put at their disposal there by United States Ordnance.

Due to the foregoing conditions your subcommittee was of opinion that the advisability of using the testing grounds at Normoyle was amply demonstrated.

From the evidence supplied to your subcommittee it is apparent that there has been no duplication of tire testing in any shape or form.

Your subcommittee wishes to acknowledge with thanks the co-operation of the following witnesses who appeared before it:—

Messrs. R. C. Berkinshaw, President, and J. R. Nicholson, General-Manager of Polymer Corporation Ltd.; A. H. Williamson, Controller of Rubber; J. Martin, Deputy-Controller of Rubber; J. H. Berry, Motor Vehicle Controller; E. R. Birchard, Deputy Motor Vehicle Controller; J. A. Hodgson, Vice-President and Managing Director of the Fairmont Company Ltd.; W. G. H. Jephcott, Secretary-Treasurer and L. S. Eiler, Assistant Secretary-Treasurer of the same Company; Dr. A. Cambron, associate research chemist of the Chemistry Division of the National Research Council; Dr. A. Adams, Biochemist and Dr. N. H. Grace, Plant Biochemist, both of the Division of Applied Biology, National Research Council; Dr. H. A. Senn, Assistant Botanist, Division of Botany and Plant Pathology, Department of Agriculture and Mr. T. R. Griffith of the Rubber Laboratory, National Research Council; Colonel E. D. James, Director of Mechanization, National Defence Headquarters; Mr. R. E. Jamieson, Director General, Army Engineering Design Branch, Department of Munitions and Supply; Lt.-Colonel C. M. Letson, of the Directorate of Development of vehicles and small arms, M.G.O. Branch, Department of National Defence and Lt. W. A. Clarke of the Fire and Rubber Section, A.E.D.B.

RECOMMENDATIONS

As a result of the survey of the rubber situation in Canada, of the activities of Polymer Corporation Ltd., of Fairmont Company Ltd., of the Rubber Controller and the Motor Vehicle Controller, your subcommittee makes the following recommendation:—

- (a) That a survey be immediately undertaken of Canada's post-war needs in rubber and in motor vehicles.
- (b) That proper steps be taken at as early a date as possible, consistent with war conditions, for the conversion of tire producing facilities, at present devoted to special army specifications tires to civilian needs. That plans be immediately considered to speed up, as soon as war conditions make it possible, the readjustment of the motor vehicle industry from a war time to peace time basis with special consideration to the urgent needs of Canadian industry for trucks and other similar conveyances in order to enable the public to reorganize their activities in constructive channels that will necessitate expanded motor transport and the replacement of badly worn out equipment.

- (c) That the methods used during war time to stabilize the labour output in the truck manufacturing be extended in the post-war period to all the automotive industry in order to avoid the alternate peakloads and low ebbs of labour experienced in that industry before the war and that proved so disturbing to economic conditions in areas where the motor industry is located.
- (d) That the research work pursued at the National Research Council and in the Department of Agriculture on synthetic rubber and on the possibility of producing rubber from Canadian plants be further encouraged by the inclusion in the next estimates of substantial amounts specially devoted to that work.
- (e) That in the post-war period the Sarnia plant remain with Polymer Corporation Ltd., as a Government-owned Company.
- (f) That as soon as is convenient after the war is over Polymer Corporation Ltd., readjust its relationship with the Companies presently administering the different plants with a view to Polymer as a Government-owned Company operating and administering all these plants itself.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

SIXTH REPORT

SATURDAY, August 12, 1944.

The Special Committee on War Expenditures begs leave to present the following as its sixth report.

1. A copy of the Minutes of Proceedings of your Committee is tabled herewith.

2. During the current session your committee and its various subcommittees held over ninety committee meetings, but on account of the large legislative program of the Government found it extremely difficult to carry on the committee's work with any reasonable degree of continuity on account of the fact that its members were also members of other House committees. As a consequence your committee recommends that as to all future work of this committee, while the House is in session, its members should be relieved of service on other House committees as far as possible.

3. Your committee is of the opinion that the committee should sit during the coming recess, and recommends accordingly.

4. Your committee is of the opinion that the investigation of War Expenditures by a special committee should be continued until the conclusion of the war, and recommends accordingly.

All of which is respectfully submitted.

HUGHES CLEAVER,
Chairman.

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